

# The Panasonic Report

## for Sustainability 2007



**Panasonic**  
ideas for life



Atsuko Fukushima Newscaster, essayist

## What does CSR\* mean

\*Corporate Social Responsibility

It means practicing activities as a “Man

Atsuko Fukushima

Newscaster, essayist

With her extensive experience as a journalist covering companies and businesspeople, Ms. Fukushima is a regular public speaker and is actively involved in forums on issues affecting modern society, such as communications, the environment, regional redevelopment, and agriculture.

**Our management philosophy is “Contributing to Society through Our Business Activities.” In other words, this means fulfilling CSR through “Manufacturing-oriented” activities. Following the basic guidelines related to “promoting environmental management,” “enforcement of compliance” and “strengthening information security,” we continue to pursue superior product quality relentlessly. We also work to create workplaces that help our employees around the world to maximize their potential while at the same time maintaining an optimum work-life balance.**

### What does society demand of companies today in terms of CSR?

**Moderator:** As corporate activities become increasingly global and people’s values diversify, what do you think stakeholders are expecting companies to do in order to fulfill their corporate responsibility?

**Fukushima:** I think that there are two fundamental and essential elements to CSR. First, companies need to build a relationship of trust with society, and especially with customers. This means being truthful and sincere. If a

company fails to do these things, then you probably do not want to continue dealing with the company any longer—just as you would feel if the same thing happened in a personal relationship. In this sense, it worries me that when a problem happens or inconvenient news is reported, many companies still try to deal with it internally and cover it up.

Secondly, we want companies to simply carry out what they are supposed to do in an appropriate manner. For example, it is most important for manufacturing companies to secure product safety, whereas hygiene management should be given top priority by food companies. I believe that what is



## for Panasonic?

**Fumio Ohtsubo** President, Matsushita Electric Industrial Co., Ltd.

## "CSR management" through our manufacturing-oriented Company."

### Fumio Ohtsubo

President, Matsushita Electric Industrial Co., Ltd.  
Appointed President in June 2006. Starting his career in the Production Engineering Division for Audio Products, he assumed several positions including Managing Director of a Manufacturing Subsidiary in Singapore, Director of the Audio Division, and President of Panasonic AVC Networks Company.

basically required in CSR activities is that companies should faithfully carry out what they are supposed to do.

**Ohtsubo:** As you have just said, building a relationship of trust with customers is a core aspect of CSR. For many years—and long before the word "CSR" became commonly used—our actions have been guided by our management philosophy, which views the company as a "public entity of society."

Our founder's key insight was that companies do not operate separately from society, but rather are a part of it. Once we start viewing the company as separate from the rest of society, we end up adopting a passive stance, thinking that it is simply all right to follow the rules established in society. But when we regard the company as a member of society, we begin thinking naturally in terms of what is right or best for society. Internally we convey the importance of this way of thinking by talking about "corporate conscience" as key words on various occasions.

In our new mid-term management plan starting in fiscal

2008, the overall objective is growth, and we have set a number of numerical performance targets. It goes without saying that we must make every effort to attain these numerical goals. At the same time, however, I believe that we need to adopt a self-questioning attitude to make sure that we fulfill our responsibilities as a corporate citizen.

**Fukushima:** I think that an important part of CSR is that corporate leaders constantly express these kinds of inspirational views so that the organization shares a common perspective.

## The Panasonic management philosophy and CSR management

**Moderator:** Since your appointment as president in June 2006, you have taken every possible opportunity to talk about Panasonic as a "Manufacturing-oriented Company." What does this mean for CSR management?

Atsuko Fukushima  
Newscaster, essayist



Fumio Ohtsubo  
President, Matsushita Electric Industrial Co., Ltd.

## Product quality is the lifeblood of Panasonic as a manufac

**Ohtsubo:** Please note that a “Manufacturing-oriented Company” does not mean that we are only focusing on actual production activity. It involves the entire process of development, engineering design, production, material procurement, quality assurance and after-sales services. Only when we integrate all these processes effectively and efficiently, will we be able to carry out our corporate mission. I want Panasonic to be a company which will be able to carry out this mission without fail, thereby continuing to make steady progress. I believe that this is a message that we must keep on communicating, both through our words and actions.

**Fukushima:** I think that President Ohtsubo’s comments take on greater importance in these times when the operations of many companies are becoming increasingly global. I’m sure that it must be extremely difficult to imbue a common CSR-oriented stance in every employee within a global organization in a way that can transcend national and cultural borders. But I also believe that is what companies must do.

**Ohtsubo:** Today, what we are beginning to understand is that home appliances are being used for much longer periods than we ever imagined. So we have to study product development in view of the fact that consumers use products for a lot longer than we thought until recently, as well as methods of final disposal. I think that, in this regard, we have to fully grasp what is really happening globally, including

environmental impact, and take appropriate actions. However, I understand that this issue is not something that Panasonic can solve alone. I think it is important for us to work with component manufacturers and other suppliers to share common targets and values so that we can work together to achieve our goals.

**“Manufacturing” =  
The entire process of creating products**



### The product-related responsibilities of a manufacturer

**Moderator:** Recently our attention has been drawn to various incidents in Japan where problems with products and services have betrayed the trust of customers. Regrettably such incidents have also involved Panasonic products. What are your thoughts on this, and what do you think customers should expect and demand from manufacturers?

**Fukushima:** In Panasonic’s case there have been tragic accidents involving FF-type kerosene heaters. But as a company you have not concealed any information. You have disclosed all the facts, and you are also making every possible effort to ensure that the very last unit is recalled. These incidents have really brought home to me again the heavy responsibility manufacturers have in terms of product safety. When a company is faced with a problem, rather than avoiding dealing with the issue, they have to understand the situation from the position of customers. This is the touchstone proving that a company puts its relationship of trust with consumers above anything else.

**Ohtsubo:** In the case of these FF-type kerosene heaters, this is something that should never have happened. We make every effort to develop and produce products that do not have any flaws, but sometimes things happen that you simply cannot foresee. When this occurs, the obvious thing for us to do as a company is to immediately notify the public of what has happened, without concealing anything. It is also vital for us to



Atsuko Fukushima

## turer. We must do everything to safeguard it.

take immediate action. Always bearing this unfortunate incident in mind, we are determined to continue taking necessary measures to make sure that such problems never occur again.

**Fukushima:** What is noticeable in many of these cases of corporate wrongdoing in Japan is that the more damaging the case becomes, the less frequently the relevant information tends to be reported as far as senior management. To me this highlights the fact that practicing CSR management is very much about cultivating corporate culture and developing internal systems to ensure that this sort of information is communicated quickly up through the organization.

**Ohtsubo:** I agree. As you say, it is absolutely vital that bad news is communicated to the top of the company quickly. At the same time, I always bear in mind the importance of practicing our frontline-oriented principle in our daily activities based upon "actual place and actual thing." For instance, whenever a problem arises, I believe that it is important for those in charge to examine the actual situation with their own eyes. Now, whenever there is a product quality issue, the senior managers of business domain companies discuss the issue by examining actual products where possible. So, if a problem occurs with product A, we immediately start considering the possibility that a similar problem may happen to product B, or product X produced at a different manufacturing site. This approach encourages sharing of information within the company. I believe that instilling this kind of approach is one of the keys to cultivating strong and effective CSR management.

## Towards achieving an optimum work-life balance

**Moderator:** Work-life balance refers to harmonizing the relationship between work and personal or family life. With many people adopting different and varied attitudes toward work, how do you think companies should help?

**Fukushima:** People are consumers before they are employees of a company. For a company like Panasonic whose products are so much a part of consumer lifestyles, I think that helping employees to lead fuller personal lives would boost motivation at work and foster greater creativity in terms of developing products that will in turn enrich the lives of consumers. In this age of greater diversity, in extreme terms, virtually everybody wants something different. A global company like Panasonic attracts diverse people in terms of age, gender, nationality, culture and religion. By providing working conditions and styles that get the most out of diversity and individual differences, I think that Panasonic can develop a stronger organization.

**Ohtsubo:** Today, global competition between companies is

developing dynamically at an ever-faster pace. Companies must evolve by improving the way they do business, and I think that we are now seeing competition develop in terms of the speed with which companies can evolve. And the competitiveness of companies depends on the growth of their employees as members of society. Panasonic has personnel systems as part of its corporate culture that allow all employees to identify how they want to achieve self-fulfillment and set clear targets.

Furthermore, I think that the critical issue today is not how to get people with individual personalities to assimilate into the company, but rather to develop ways to enable people with a wide variety of skills, talents and values to mingle productively within the same organization. Increased diversity is bound to cause more friction to some extent. But friction can also be a force that helps the organization to grow. For Panasonic, I believe that it can be a major source of competitiveness. We also want to maintain transparency in our operations through open communication and an open corporate culture, while ensuring that everyone appreciates the importance of achieving an optimum work-life balance.



Fumio Ohtsubo



Moderator

Takumi Kajisha

Executive Officer, Matsushita Electric Industrial Co., Ltd.  
In charge of CSR Office



## Business Overview

### About Panasonic

Best known for its Panasonic brand name, Matsushita Electric Industrial Co., Ltd. is a worldwide leader in the development and manufacture of electronic products for a wide range of consumer, business, and industrial needs. The Company's shares are listed on the Tokyo, Osaka, Nagoya and New York (NYSE:MC) stock exchanges. For more information on the Company and the Panasonic brand, visit the Company's website at <http://panasonic.net/>

Company name: Matsushita Electric Industrial Co., Ltd.

Head office: 1006 Kadoma, Kadoma City, Osaka 571-8501, Japan Tel: +81-6-6908-1121

Number of consolidated companies: 653; Number of equity-method affiliates: 71; Number of employees: 328,645 (As of March 31, 2007)

The Company's business segments are classified into six segments: AVC Networks, covering audio and visual equipment, and information and communications equipment; Home Appliances, including household equipment and other products; Components and Devices, covering electronic components, semiconductors and other products; and MEW and PanaHome, JVC and the Other segment, which includes factory automation and industrial equipment.

### AVC Networks

Business Domains	Business Domain Companies and Group Companies
AVC	• Panasonic AVC Networks Company
Fixed-line Communications	• Panasonic Communications Co., Ltd.
Mobile Communications	• Panasonic Mobile Communications Co., Ltd.
Automotive Electronics	• Panasonic Automotive Systems Company
System Solutions	• Panasonic System Solutions Company
	• Panasonic Shikoku Electronics Co., Ltd.

### Home Appliances

Business Domains	Business Domain Companies and Group Companies
Home Appliances, Household Equipment	• Home Appliances Group Matsushita Home Appliances Company Matsushita Refrigeration Company
Lighting	• Healthcare Business Company
Environmental Systems	• Lighting Company • Matsushita Ecology Systems Co., Ltd.

\*The Company transferred its healthcare business to its consolidated subsidiary Panasonic Shikoku Electronics Co., Ltd. at April 1, 2007.

### Components and Devices

As of March 31, 2007

Business Domains	Business Domain Companies and Group Companies
Semiconductors	• Semiconductor Company
Display Devices	• Matsushita Battery Industrial Co., Ltd.
Batteries	• Panasonic Electronic Devices Co., Ltd.
Electronic Components	• Motor Company
Electric Motors	• Others

### MEW and PanaHome

Business Domains	Business Domain Companies and Group Companies
	• Matsushita Electric Works, Ltd.
	• PanaHome Corporation

### JVC

Business Domains	Business Domain Companies and Group Companies
	• Victor Company of Japan, Ltd.

### Other

Business Domains	Business Domain Companies and Group Companies
FA	• Panasonic Factory Solutions Co., Ltd. • Matsushita Welding Systems Co., Ltd. • Others

**Web** For related information, please visit our website at [panasonic.net/corporate/](http://panasonic.net/corporate/)

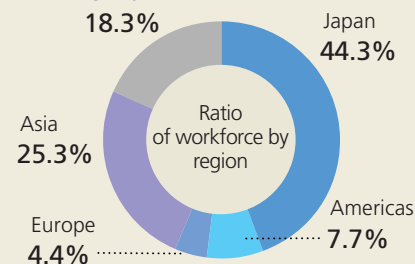
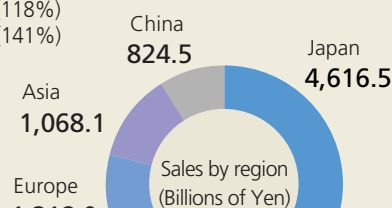
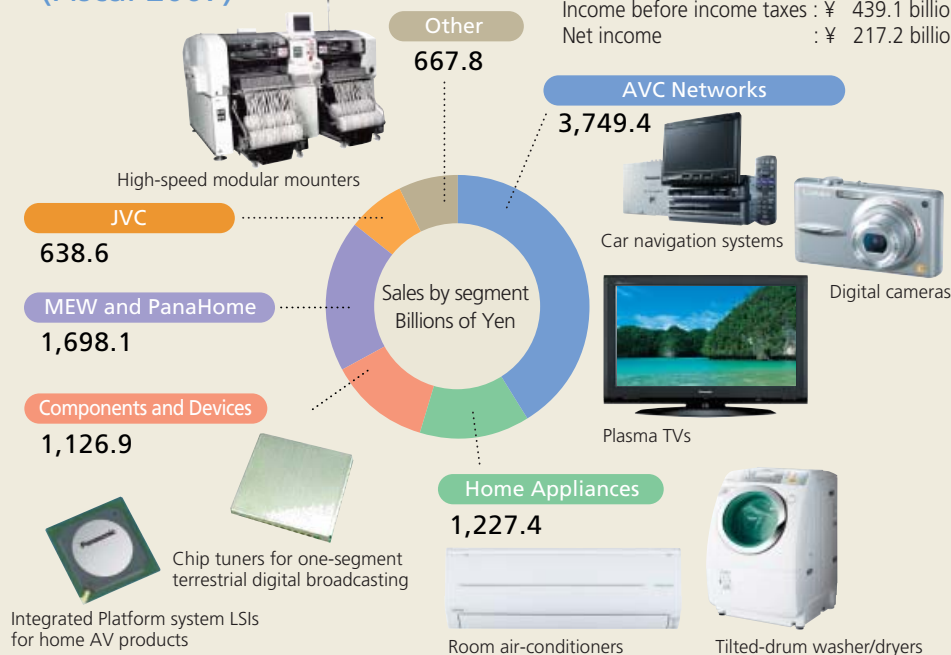
## Overview of Business Activities (Fiscal 2007)

Fiscal 2007 (percentage 2007/2006)

Net sales : ¥9,108.2 billion (102%)

Income before income taxes : ¥ 439.1 billion (118%)

Net income : ¥ 217.2 billion (141%)



**Web** For related information, please visit our website at [ir-site.panasonic.com/](http://ir-site.panasonic.com/)

Panasonic has been selected as a component in global SRI\* indexes

\*SRI: Social Responsible Investment



## Report Production Process

## Editing Framework

## Global Planning Committee Created

Established committee made up of 16 Panasonic employees (including four from overseas)

## Report Themes Selected

## Analyzed Areas of Interest Highlighted by Stakeholders

Collated and analyzed various areas of interest highlighted by stakeholders based on feedback over the past three years (a total of 3,900 cases) then selected report themes

## Report Content Checked

## Verification of Content by Management

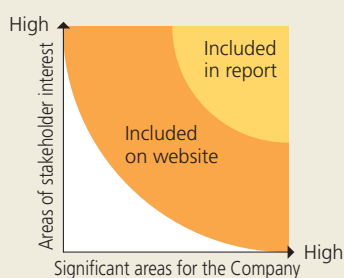
Content checked by Directors and Executive Officers to ensure areas of significance for the Company are covered by the report

## Stakeholder Opinion

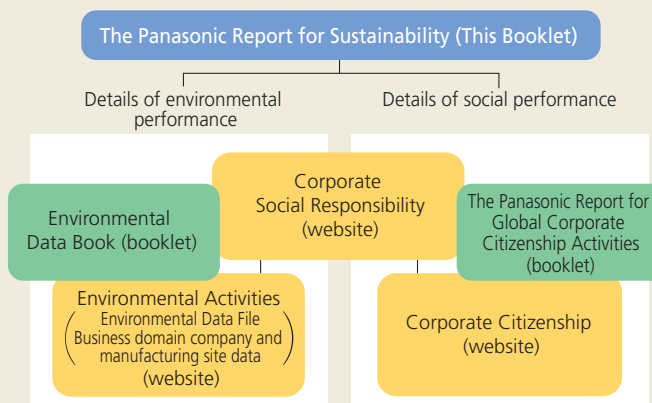
## Feedback From Stakeholders

Key stakeholders asked to give their opinion about each section of the report; opinions included in the report

## Basis for Selection of Report Theme



## The Panasonic's CSR Reporting Framework



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## Reference guidelines

The Japanese Ministry of the Environment's  
Environmental Reporting Guidelines 2003  
The Global Reporting Initiative (GRI)'s Sustainability  
Reporting Guidelines 2006  
To view guidelines Table, please go to  
[panasonic.net/csr/guide/](http://panasonic.net/csr/guide/)

## Scope of this report

**Reporting period:** The performance data are principally from fiscal 2007 (April 1, 2006-March 31, 2007). Some fiscal 2008 activities are also included. Years shown in graphs are fiscal years.

**Organization:** Matsushita Electric Industrial Co., Ltd. and its affiliated companies inside and outside Japan.

**Target data:** Data are mainly from consolidated Group companies. Environmental performance data are from all manufacturing sites that have established environmental management systems.

## On the Cover

Panasonic's wearable robotic suit is designed to help patients recover from limb paralysis. Movement in the patient's healthy arm is mirrored in their impaired arm thanks to a set of man-made muscles, helping the wearer to take part in rehabilitation programs without the aid of medical staff. (For more details, turn to page 12.)



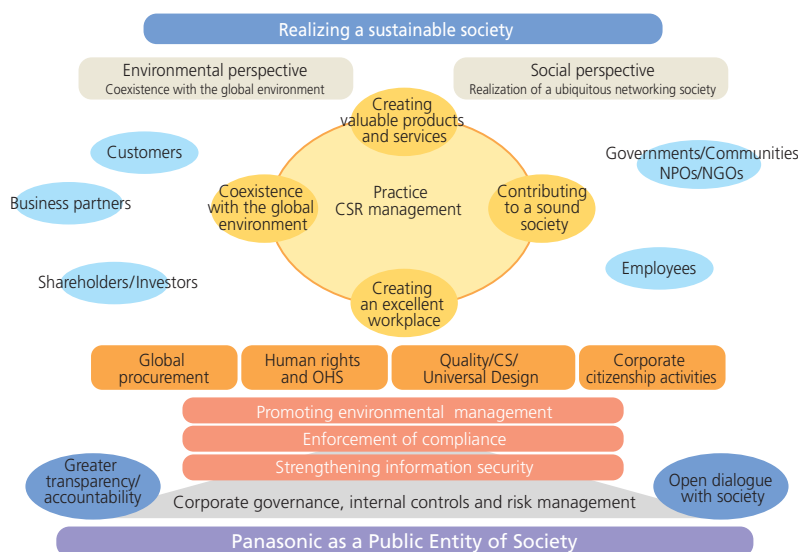
Air from a compressor (left) is used to power rubber man-made muscles.

Ever since Panasonic was established, our basic management philosophy has been about “making a contribution to society through business as a public entity of society.” This belief is the point of origin for all our business activities. Implementing this management philosophy, which is focused essentially on customers and the rest of society, is nothing less than the corporate social responsibility (CSR) of Panasonic.

In fiscal 2008, we embarked on a new three-year management plan called the GP3 plan. The overarching aim of the plan is to transform Panasonic into a manufacturing-

oriented company. The plan also sets forth milestones and strategies to launch Panasonic into the next phase of growth, guiding us toward our aim of achieving global excellence. The challenge is expressed in terms of the three “GP” goals of Global Progress (evolving through global sales expansion), Global Profit (enhancing profitability worldwide) and Global Panasonic (building a globally trusted brand). Enhanced implementation of CSR management in all regions of the world is a key point emphasized in the GP3 plan.

### Groupwide CSR promotion framework



The implementation of CSR management involves explicitly defining four responsibilities that Panasonic must fulfill to stakeholder groups. In addition, the Company has developed a CSR promotion framework to guide related Groupwide initiatives.

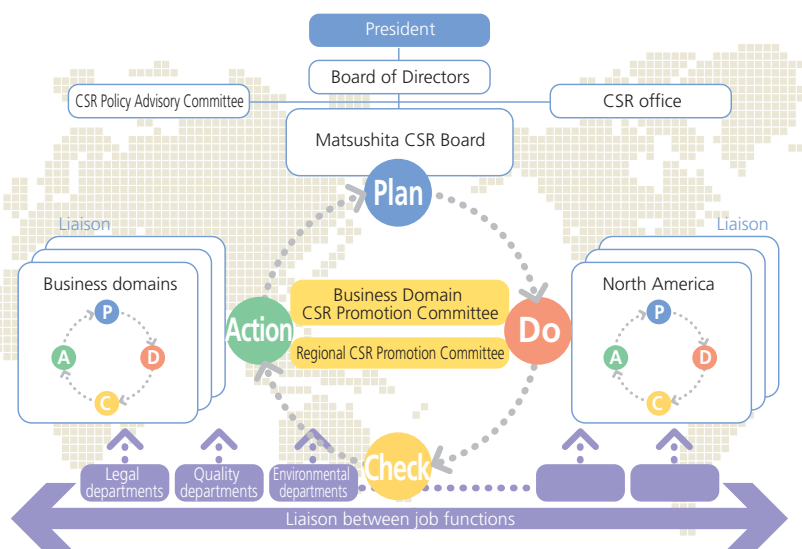
Amid today's highly challenging business environment at the global level, Panasonic recognizes the importance of three common issues in particular for modern society: promoting environmental management; enforcing of compliance; and strengthening information security. These represent the three main minimum standards for Groupwide CSR management. Supported by this base are four key areas relating to the implementation of CSR management: global procurement activities (pursuing CSR management in partnership with suppliers); human rights and occupational health and safety

(OHS) programs (creating superior working environments for employees worldwide); quality, customer satisfaction (CS) and universal design initiatives (to be realized by providing products and services to customers and other social activities); and corporate citizenship activities (philanthropy etc.) Together these seven areas comprise the major elements of Panasonic's Groupwide CSR promotion framework.

Facing up to the demands of stakeholders around the world and promoting an open dialogue are key elements of CSR management. Maintaining an honest and sincere stance (Super Honest Attitude) throughout corporate activities also underpins measures in this area.

### Global CSR promotion system

Implementing CSR management globally is a matter of ensuring that the 330,000 group employees of Panasonic worldwide undertake related measures in the course of daily business activities. We have developed global structures to promote group-wide adoption of CSR-related measures around the world. Besides systems to facilitate rapid global transmission of CSR-related messages from senior management, we have also established systems to ensure that the demands and expectations of stakeholders in various sectors and regions are reflected in business activities in a timely manner. The Matsushita CSR Board, which is chaired by the President, and other bodies coordinate the adoption and implementation of PDCA cycle-based CSR initiatives within each region and at each business domain company.





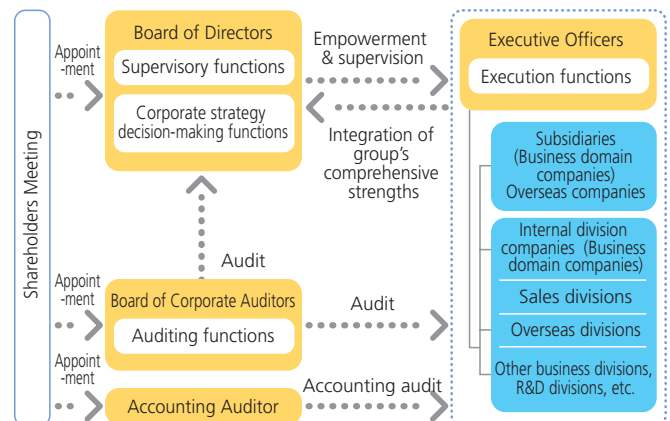
## >>> Foundations of CSR Management

### Corporate governance

The system of corporate governance adopted by Panasonic separates the Board of Directors, which determines all important business matters affecting Panasonic and oversees execution of business by Directors, from the Board of Corporate Auditors, which monitors execution of duties by Directors through audit activities. The Group is organized into business domain companies that are empowered by the delegation of authority in business matters within the relevant field. Panasonic also employs an Executive Officer System whereby Executive Officers have responsibility for day-to-day business activities spanning operations both inside and outside Japan. This approach aims to facilitate the development of optimal corporate strategies that integrate the Group's comprehensive strengths. To maintain a healthy balance between swift, strategic decision-making and proper monitoring and oversight with respect to business matters affecting the entire Group, there is an explicit

separation between functions of Directors and Executive Officers. At the same time, taking into consideration the diversified scope of global operations, the Board of Directors is structured to benefit from the active participation of Executive Officers possessing a high degree of familiarity with operational specifics.

### Corporate Governance Structure Functions of Board of Directors, Executive Officers, and Board of Corporate Auditors



### Internal controls

Guided by its management philosophy and the basic policy adopted relating to the construction of internal control systems, Panasonic continues to develop a system of internal controls to provide a safe, reliable management platform to support global business strategy and activities. Specifically, three entities with complementary functions (the Compliance Committee, the G&G

(Global & Group) Risk Management Committee, and the Disclosure Committee) coordinate ongoing efforts to develop internal controls. They are working not only to organize management-level systems for internal control, but also to raise employee awareness, establish behavior aligned with the internal control system and cultivate the necessary corporate culture.

### The Matsushita Group Code of Conduct

This code establishes common group-wide standards to guide employees in the practical implementation of Panasonic's management philosophy. Formally adopted by board resolution at each company within the Group, the code applies to

330,000 Directors, Executive Officers and employees of Panasonic worldwide. We have also developed an educational and training framework and related initiatives to support increased internal compliance with the code.

### G&G Risk Management activities

In addition to the collection and assessment of risk information gathered through the Company's global network in an integrated and comprehensive manner, Panasonic maintains a management cycle that links risk management activities with other business management initiatives. These activities are coordinated by the G&G Risk Management Committee, which consists of Directors and Executive Officers representing related job functions and divisions. Panasonic has also established similar functional committees at business domain companies and subsidiaries to formulate appropriate countermeasures on a global, Groupwide basis. Specifically, all business domain companies and Group subsidiaries conduct risk assessments once a year as part of the formulation of annual business plans. Risks are evaluated and prioritized, and

appropriate countermeasures are developed promptly. The progress made in implementing such measures is monitored on an ongoing basis.

Panasonic is in the process of formulating Business Continuity Plans (BCPs) in order to mitigate the risks of large-scale natural disasters. Group companies that are located in a region where the probability of such disasters happening is rated high (defined as at least an 80% chance of occurrence in the next 50 years) are required to complete BCP formulation by fiscal 2010.

Besides natural disasters, Panasonic also plans to formulate BCPs to guard against the risk of any dangers with the potential to interrupt business activities, such as a global influenza pandemic.

### In-house hotlines

As part of ensuring an open and transparent corporate culture, Panasonic operates six head office-based hotlines in Japan covering the areas of business ethics, fair trade, equal opportunities, fair business, global business ethics, and

auditing or accounting issues. Business domain companies, subsidiaries and regional headquarters have also established and operate separate hotlines to aid swift resolution of issues.



## The world's first lead-free plasma display panel

We created the world's first ever lead-free plasma display panel. The key was in the discovery of new materials.

**Akira Kawase**

Involved in development of lead-free plasma display panels

In November 2006, Panasonic became the first manufacturer worldwide to eliminate the use of lead across all types of plasma display panel. Creating lead-free plasma display panels presented such a tough technical challenge in terms of the development of alternative materials that these components had been given an exemption from the EU RoHS Directive (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment), which went into effect in July 2006. But the attitude at Panasonic was that making these widely used products lead-free was something that had to be done for the good of customers worldwide. After considerable research, the Company finally came up with an alternative material known as bismuth glass. Further development work produced an original additive to counter instability in the bismuth glass and a revised material composition for the non-glass components. The result was a highly stable glass panel with characteristics close to that of leaded glass, but based on the alternative metal bismuth. The world's first lead-free plasma display panel was born.





Busy people love our automatic washer/dryers because they take care of everything from washing to drying. But some customers hesitate to buy out of nervousness over high electricity bills from using the dryer. Panasonic is addressing such concerns with the development of improved drum-type washer/dryers that deliver superior energy efficiency. Incorporating a feature found in air-conditioners, heat pump washer/dryers use a heat-exchanger unit to conserve resources. Cutting power and water consumption plus drying time by around half compared with conventional models, these machines also boast revolutionary features that virtually eliminate damage to delicate fabrics during the drying stage. The idea of using a heat pump in clothes dryers had been around for some time, but the problem was how to minimize noise and vibration caused by putting a high-powered compressor into such a small space. Panasonic engineers cracked the problem by adapting some of the advanced technology deployed in the latest refrigerators and air-conditioners.



The heat pump uses dry, dehumidified air for drying clothes. The design stops the drum temperature from rising too high, making it possible to machine-dry delicate fabrics such as wool and synthetic fibers.



## Fired up about developing an eco-friendly washer/dryer

We put our heart and soul into developing the heat pump design because we knew it could benefit the environment.

**Tadashi Asami**

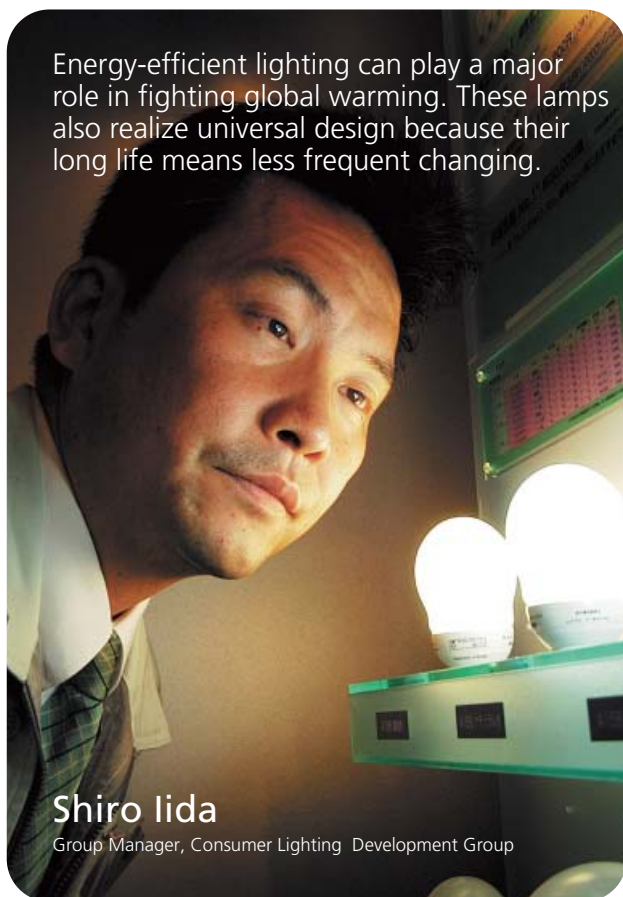
Involved in development of heat pump tilted-drum washer/dryer



For related information, please visit [panasonic.net/csr/value/high/](http://panasonic.net/csr/value/high/)



Energy-efficient lighting can play a major role in fighting global warming. These lamps also realize universal design because their long life means less frequent changing.



**Shiro Iida**

Group Manager, Consumer Lighting Development Group

## Offering more people the benefits of energy-saving compact fluorescent lamps



Pa-look Ball Premier extended-life, energy-efficient fluorescent lamps lead the industry\*<sup>1</sup> in terms of expected lifetime of use.

In Japanese households, lighting ranks second in terms of power consumption, taking about 16% of the total\*<sup>2</sup>. This makes the development of energy-efficient, extended-life lighting products a critical issue. Panasonic has been quick to take up the challenge of developing compact fluorescent lamps that last longer and use less power. In fiscal 2007, in Japan we introduced the

Pa-look Ball Premier series of products, which cut power consumption by 80% compared with conventional silica light bulbs and last ten times as long. We continue to work on the development of environmentally friendly energy-saving lighting.

\*1. Data accurate as of June, 2007 for fluorescent lamps marketed in Japan (excluding non-electrode types).

\*2. Source: Energy Conservation Center, Japan (ECCJ).

## Breakthrough in system LSIs helps solve major increase in software development volume

As digital electronics products have become more advanced, the amount of resources needed in software development for system LSIs has become a serious management issue. Panasonic has addressed this problem with the development of the Integrated Platform, a system LSI featuring an integrated software platform that can be used to control various digital appliances. Panasonic is now introducing this device into various products. The Integrated Platform makes expertise readily transferable across product categories, allowing for parallel development and steady improvement in efficiency in development processes.

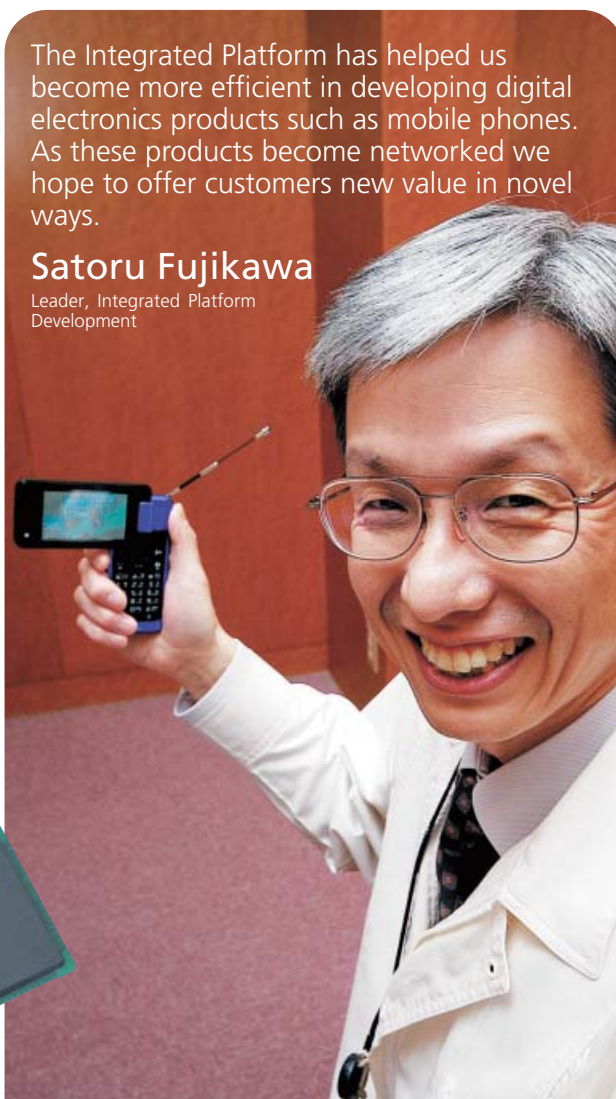
The Integrated Platform, used in products such as (from left) personal AV systems, home AV systems, mobile phones and car audio systems



The Integrated Platform has helped us become more efficient in developing digital electronics products such as mobile phones. As these products become networked we hope to offer customers new value in novel ways.

### Satoru Fujikawa

Leader, Integrated Platform Development



## Car navigation systems boasting advanced features

Recent advances in terrestrial digital broadcasting have opened up new entertainment possibilities in Japan by enabling the reception of high-definition in-car television programming through car navigation systems. The Panasonic car navigation system Strada builds on this capability to provide enhanced safety features. For example, the system can tune into terrestrial digital broadcasting signals in the event of an earthquake or natural disaster and use this information to automatically display a map showing the nearest public emergency evacuation area, which is pre-recorded on the system's hard disk.



The Strada system includes many advanced safety features, such as alerting the driver to particular accident hot spots.

**Kyoji Tanaka**

Leader, Strada system software development team



## Helping to make driving more comfortable and environmentally friendly

I'm proud that our ETC on-board units don't just make driving easier, they also help to prevent global warming. I will continue to work on developing even better products.

**Masahiko Nakamura**

In charge of ETC on-board unit development



In April 2007, the total number of cars in Japan fitted with Electronic Toll Collection (ETC) on-board units passed the 17 million mark. Installing these devices helps alleviate traffic congestion because drivers do not have to stop and start their vehicles as frequently. CO<sub>2</sub> emissions at toll booths have also been reduced by about 38%\*

compared to the level before the introduction of the ETC system.

Since its very first ETC on-board units, Panasonic has incorporated a voice-guidance capability to ensure drivers keep their eyes on the road when passing through toll booths. Safety was also a concern in the design of the terminals. Our ETC on-board units therefore have card eject buttons to prevent mistakes by users, and the buttons themselves are large and easy to read.

\*Fiscal 2007 survey, Ministry of Land, Infrastructure and Transport

## High-tech aid promotes self-help for rehabilitation patients

Japan has an estimated 1.4 million stroke patients, many of whom continue to suffer from debilitating after-effects. Activelink Co., Ltd., a venture business established within Panasonic, has received a contract from NEDO\* to undertake development work on a rehabilitation aid for stroke victims. The aim is to release a commercial product in fiscal 2009. This product is fitted to the upper body and is designed to help stroke victims with paralysis on either side. It enables the wearer to participate in rehabilitation programs independently, thus boosting and maintaining motivation to continue the program. (Please turn to page 6 for more details)

\*The New Energy and Industrial Technology Development Organization (NEDO) is a publicly funded body that constructs broad-based networks linking the worlds of industry and academia to state-sector institutions with the aim of managing research and development work that cannot be funded purely by commercial enterprise.



Because this product is something that patients will use over the long term, we have paid a lot of attention to issues such as comfort, feel, safety and universal design. We hope to use the power of technology to make life easier for people.

**Hiromichi Fujimoto**

President, Activelink Co., Ltd.



For related information, please visit [panasonic.net/csr/value/high/](http://panasonic.net/csr/value/high/)



## Pursuing Extreme Customer Satisfaction (XCS) in North America

The Panasonic Customer Call Center (PCCC) is implementing a range of activities under the XCS banner, aimed at achieving genuine customer satisfaction. As part of this approach, recognizing the importance of after-sales service in achieving XCS, PCCC introduced the Plasma Concierge program as a point of contact with customers who have purchased Panasonic plasma TVs. This program provides dedicated members of staff to answer customer queries on an exclusive toll-free number. The program has been very well received since its introduction and the number of plasma TV enthusiasts has grown steadily. In addition to this, PCCC has improved its business processes with the implementation of IT systems and efforts to increase efficiency. The introduction of an automated system to transfer calls to staff responsible for the relevant product has also enabled PCCC to achieve the target of call waiting times of 30 seconds or less for products other than plasma TVs. PCCC plans to use the know-how gleaned from the program to improve its services for other products.



## Incorporating customer feedback into the product development process

Customer feedback is a valuable resource if treated correctly. In the past the only information that was shared was direct comments from customers, but it is also part of our job to ensure that all of the nuances forming the background to the comments such as the product use environment are looked at.

### Noriko Kotani

Customer care agent at National\* Panasonic Customer Care Center  
\*National is one of Matsushita Electric's brands in Japan.



Personal fax machine featuring illuminated buttons and voice guidance function added based on customer feedback

"Thanks for your help!" The satisfied voice of the customer on the other end of the phone brings a smile to the face of the customer care agent. Panasonic established its Integrated Customer Contact Center in April 2006 by unifying its dispersed customer care centers, with the aim of improving customer satisfaction. In addition to answering customer inquiries, the center is expected to fulfill an important role in incorporating real-life customer experiences and feedback into the product development process and even management activities. A customer care agent license system has been introduced from fiscal 2008 in order to further increase skills.

\*Our Website gives examples of how customer feedback and information from service engineers is incorporated into products.  
[panasonic.net/csr/qcu/case\\_cs.html](http://panasonic.net/csr/qcu/case_cs.html)



## Universal design research focused on U.S. market

Traditionally, our R&D efforts concerning universal design were centered on Japan. However, our conviction that ideas about user-friendly products vary between people of different cultures and regions prompted us to establish the User Experience\* Research Group at our Panasonic San Jose Laboratory (PSJL), which comprises researchers from all over the world. The fruits of this initiative are being incorporated into an array of products, and PSJL is currently jointly developing new design concepts with research laboratories in Japan. Panasonic is also pursuing similar initiatives in Europe, Asia, and other regions.

\*User experience: The overall level of satisfaction when using a product incorporating not only usability and ease of use, but also aspects such as the feeling of using the product and satisfaction with its functionality.

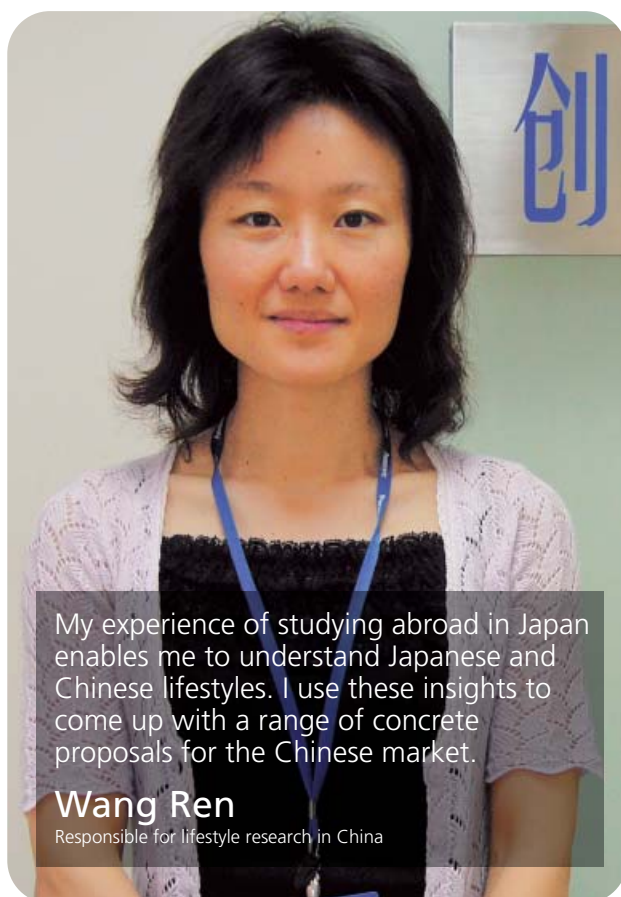


A digital camera evaluated at PSJL.



## Understanding lifestyles in China and developing products

In March 2005, Panasonic established the China Lifestyle Research Center. A team of 5 Chinese researchers from the center develop theories on Chinese consumers' requirements for household appliances from the point of view of citizens. These theories are used as a basis for planning and testing new products. This is achieved with solid field research, including home visits and group interviews, allowing us to understand the lifestyles which differ from region to region in a country as large as China. We have also embarked on joint research with a Chinese university to identify a wide range of latent consumer needs and associated product concepts to enable us to develop unique products that are more closely tailored to Chinese lifestyles.



## Aiming to be a company that customers can trust

Panasonic's business activities necessarily entail being entrusted with varied types of sensitive information such as personal data about consumers, and confidential information and trading data from business partners. By constructing structures and systems to protect such information from being leaked, misused and other risks, Panasonic aims to be a company that inspires consumers and business partners with confidence in the security of each transaction.



**Keiko Kaneko**

Director, Corporate Information Security Division

Staff with Panasonic in-house  
information security qualifications

**ISM professionals: 372**

**Lead auditors: 673**

**Auditors: 2,663**

As of March 2007, 372 ISM (Information Security Management) professionals, 673 lead auditors and 2,663 auditors were involved in improving information security across Panasonic's global operations.

### Basic approach to information security management

Panasonic aims to earn the satisfaction and trust of customers by supplying products and services of superior quality. This necessarily involves our sharing a wide range of technical data and other information with numerous parties both inside and outside the Company. Information security is the basis for ensuring that such process would be done at ease.

We also work on strengthening information security to protect the valuable information assets of stakeholders. Specifically, our approach is to systematize shared global information security regulations. We are working to develop our organization and systems so that we can achieve the same level of information security worldwide, thereby ensuring the secure control and handling of information.

### Fiscal 2007 overview and ongoing challenges

During fiscal 2007, we largely achieved improved information security levels and built an organization in which management systems work autonomously. In fiscal 2008, we plan to make further progress in raising security levels and strengthening management systems worldwide.

Although every effort continues to be made to prevent any accidents or other incidents that compromise information security, the realities of operating a complex global enterprise mean that, unfortunately, we have not yet been able to eradicate information security incidents such as the loss of computers or e-mail misdirection. However, our systems now make it possible to respond to any incident that occurs anywhere in the world thanks to a structure that ensures any problems are reported to head office. In particular, in the event that an incident involving personal information occurs, our systems place top priority on consumer safety. We would inform consumers of such an incident quickly, while also making related public disclosures and sending the necessary reports to the appropriate authorities. We have also made progress in cultivating a corporate culture that does not conceal such incidents. Our aim remains to become the world's leading company for information security.

### Our commitments in fiscal 2006:

- To establish an organization where information security will improve autonomously
- To reinforce information security deserving of a manufacturing-oriented company, etc.



### Achieving a common global level of information security



Achieving a common level of information security across global operations is a key challenge for inspiring confidence in Panasonic consumers worldwide. To this end, Panasonic has instituted information handling controls at 257 Group companies around the world based on common global regulations. Employees at all these companies receive training on information security. Training materials have been translated into ten languages, including English, Chinese, Thai, Malay, Indonesian, Spanish and Portuguese. In addition, global conferences are held twice a year to enable staff from each regional headquarters and business domain company to discuss related issues and establish cooperation.

### Efforts in Japan to implement personal information protection and reform corporate culture



Panasonic believes that personal information about consumers and employees must be treated with the highest priority. To this end, the 37 Group companies in Japan are working to obtain Privacy Mark certification. Based on a strict screening process, the Privacy Mark system gives a certification of approval to companies that have put in place the required standards and management systems for handling personal information. As of March 2007, Matsushita Electric Industrial Co., Ltd. and 31 other Group companies had completed the certification process.

### Promoting information security measures through local employees



Information security demands operational thoroughness by all employees. Panasonic has adopted measures to promote information security to local employees, mainly through efforts by local personnel at regional headquarters. ISM professionals at each regional headquarters lead training and guidance programs and organize information security audits at the local level.



#### Stakeholder opinion

"For me, the key point is that Panasonic takes pains to instill an integrated global approach to information security, encompassing everyone from Executive Officers to new employees. I think the main challenge is making sure that everybody is aware of information security and its demands on a daily basis."

#### Masaki Tochizawa

Executive Director & General Manager,  
Kansai Branch Office  
Nomura Research Institute, Ltd.



#### Panasonic reply

Over the past three years, employee awareness of the issue has jumped as we have invested in training and put in place strict measures to deal with violations. Our view is that we now need to entrench these measures by improving systems further, for example, by applying IT controls or by incorporating information security into business procedures.



## Product Safety Problem Countermeasures

Following the safety issue that affected FF (Forced Flue)-type kerosene heaters, other quality and safety problems involving National\*/ Panasonic products were found in dish washer/dryers and massage chairs. Panasonic sincerely apologizes for the inconvenience and trouble caused to a great many people by such problems, especially to any customers that suffered harm.

\*National is one of Matsushita Electric's brands in Japan.

### Countermeasures for incidents related to FF-type kerosene heaters

Panasonic would like to thank all parties that supported and cooperated in implementing various market countermeasures in response to problems related to FF-type kerosene heaters.

Following incidents in 2005 of carbon monoxide poisoning caused by FF-type kerosene heaters, Panasonic established a special committee in response to the emergency order issued under Article 82 of the Consumer Appliance Product Safety Law. On May 1, 2006, this committee was reorganized into a permanent organization, the Corporate FF Customer Support & Management Division. This division continues to implement countermeasures in cooperation with new local committees set up on the same date in those areas of Japan most severely affected by the problem.

The Corporate FF Customer Support & Management Division currently has employees stationed in 14 administrative regions of Japan to find affected products and conduct related inspections, repairs and collections. The division also carries out specific programs related to other activities in each region. Programs were implemented in the Hokkaido and Tohoku regions to conduct surveys of heater maintenance contractors; in the Niigata region to survey temporary accommodation erected for earthquake victims; in the Hokkaido, Aomori and Miyagi regions to search for affected products in civilian noise pollution-prevention areas; and in the Tohoku and Hokuriku regions to contact companies that have either relocated or closed down. A total of approximately 211,000 inspections have been conducted of facilities in the most affected regions, in addition to local search activities targeting common key facilities such as nursing homes for senior citizens, inns and hotels, country houses and public

meeting places. Panasonic is continuing the program to search for affected heaters, especially in the colder northern parts of Japan. Surveys are also continuing based on information related to repairs and the sale of parts.



February 2007: Female employees representing a sales company in the Yamagata region conduct a house-to-house visit

#### Contact details for inquiries:

**Free-dial telephone: 0120-872-773** (Japan only)

**Free-dial fax: 0120-870-779** (Japan only)

Inquiries accepted 24 hours a day (including weekends and public holidays)

For more information about the affected models, please refer to our website.

[panasonic.co.jp/appliance/info/important/heating/index.htm](http://panasonic.co.jp/appliance/info/important/heating/index.htm)  
(in Japanese only)

### Status of recalls, inspections and repairs (as of March 31, 2007)

		(units)
Units sold	Units recorded	152,132
	1. Replaced or discarded	106,019
	2. Recovered or inspected/repaired	30,337
	(1) Recovered	75,682
	(2) Inspected/repaired	72,418
	(3) Awaiting inspection	3,237
		27

Percentage of units assessed and recorded as of March 31, 2007: 69.7%

### Dish washer/dryers

Panasonic initiated market recall procedures for two bench-top dish washer/dryer models manufactured between May 2001 and May 2002 (production of these models continued until March 2004). The incidents revealed that, in the affected models, leakage of water and suds into internal mechanisms due to a faulty part might, on rare occasions, lead to the generation of smoke and flames. To prevent further incidents, Panasonic published notices in the Japanese press to alert customers to the potential problem and posted warnings on its Website. Affected models are being repaired free of charge.

#### Contact details for inquiries:

**Free-dial telephone: 0120-871-227** (Japan only)

[panasonic.co.jp/appliance/info/important/washing02/index.htm](http://panasonic.co.jp/appliance/info/important/washing02/index.htm)  
(in Japanese only)

### Massage chairs

Panasonic initiated market recall procedures for certain models of massage chair manufactured by Matsushita Electric works, Ltd (MEW) between June 2005 and January 2007. The incidents revealed that, in the affected models, damage to wiring supplying power to the internal motor might, on rare occasions, lead to the generation of smoke and flames. To prevent further incidents, MEW published notices in the Japanese press, posted warnings on its Website and set up a free-dial customer hotline. Affected models are being inspected and repaired free of charge.

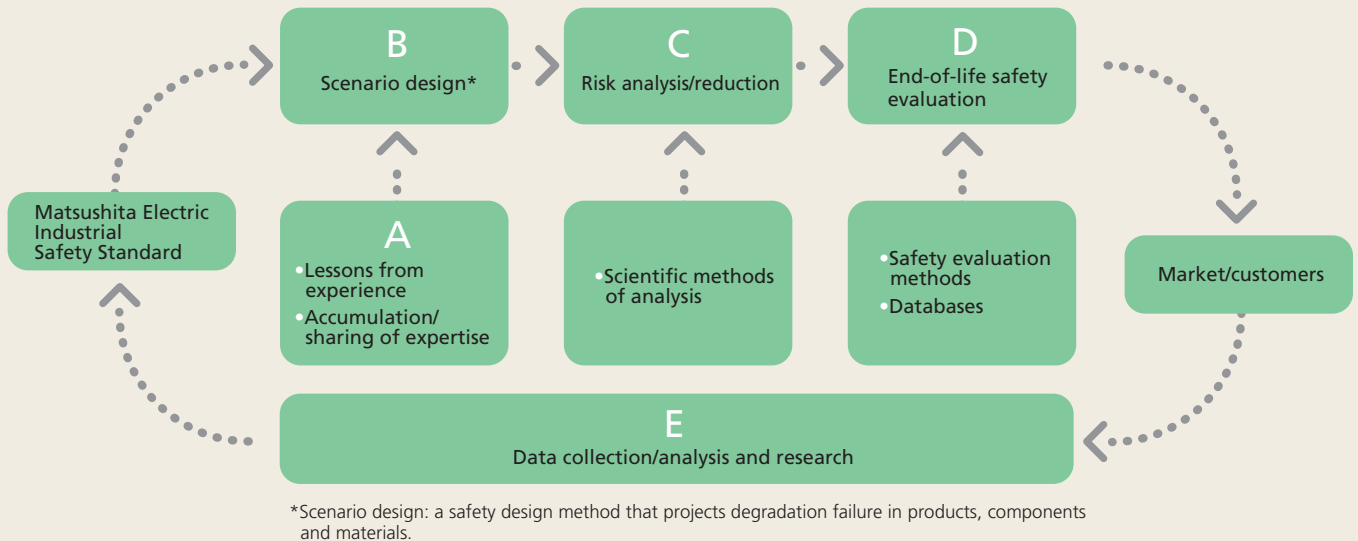
#### Contact details for inquiries:

**Free-dial telephone: 0120-274-081** (Japan only)

Massage Chair Customer Support Office, Appliances Division, Matsushita Electric Works, Ltd.  
[national.jp/wellness/info/important/massage\\_chair](http://national.jp/wellness/info/important/massage_chair)  
(in Japanese only)

## Upgrading design and production to factor in all product safety issues Never Make an Unsafe Product: Safety Throughout the Product Lifecycle

Lessons learned from recent product safety problems, notably incidents involving FF-type kerosene heaters, have led to a significant shift in the approach taken to product safety by Panasonic. The Company has started the practice of organizing small study groups to analyze safety issues with the aim of revising and upgrading relevant safety standards. Efforts are being made across Panasonic to ensure the safety of each product made.



### A. Product safety: a constant learning approach

Panasonic organizes small study groups to examine safety issues as part of ongoing efforts to entrench a safety-first attitude and to raise awareness of related issues. In fiscal 2007, study groups involving managers with quality-related responsibilities focused on safety-related issues. Other three-person study groups involving managers with responsibilities for technology, manufacturing and quality looked at issues related to the integration of these functions over the entire process from design to production, and specifically at safety assurance methods introduced. Other study groups focused on product safety issues by analyzing the causes of specific problems that occurred with actual products, the response measures taken and the lessons learnt. A total of 47 study groups involving 4,868 people were organized at domestic sites.

### B. Scenario design based on end-of-life assumptions

The end of life for a product is the time when it no longer functions properly. To date, product design has tended to focus mainly on how to make items that will not fail. Based on the view that all products will reach an end-of-life situation at some point, the approach is shifting to emphasize from the design stage onward how to ensure safety when a product either fails or otherwise undergoes recycling or disposal.

### C. Comprehensive risk analysis and reduction

"What sorts of risks are associated with a product?" Panasonic tackles this question by conducting analyses using scientific methods to identify risks from multiple perspectives. Efforts are then made to reduce or eliminate those risks identified.

### D. Evaluating end-of-life safety when a product finally fails

After risk analysis of product designs based on end-of-life assumptions, in the final stage, products are subjected to trials to test ways in which they could finally fail. Any product whose safety cannot be guaranteed at this stage does not make it to market. In this way, Panasonic tries to ensure that no unsafe product is ever made.

### E. Incorporating collected data into standards

Panasonic has developed scientific evaluation techniques such as accelerated degradation testing to study the durability of materials. In collaboration with materials suppliers, Panasonic gathers this information into a database. These data and other market-based information received from service representatives are incorporated periodically into the Matsushita Electric Industrial Safety Standards (MEISS) to ensure that such standards are comprehensive. In particular, efforts are underway to upgrade standards relating to key safety-related aspects such as long-term usage, inflammability and measures to prevent toppling.

## Aiming for Coexistence with the Global Environment

One element of Panasonic's business vision for the 21st century is to make a positive contribution to "Coexistence with the Global Environment." Panasonic is promoting environmental management across global operations based on the action plan "Green Plan 2010." The new "eco ideas" banner highlights efforts to enact fundamental changes in environmental management as we aspire to be a pioneer in the industry, ultimately seeking to achieve global excellence in our environmental management activities.

### Basic approach to environmental management

Green Plan 2010 establishes performance targets for fiscal 2011 and sets out activities to achieve these goals through the reduction of environmental impacts based on three core themes.

- **Creating Value for a New Lifestyle at the household level**

"Creating Value for a New Lifestyle" describes our basic approach to improve the lives of customers while reducing environmental impacts. We have developed a unique indicator called Factor X to measure progress toward this goal. Our aim for fiscal 2011 is to realize GHG (greenhouse gas) Factor 5 for a single household.

- **Every product a Green Product (GP)**

We accredit our products and services that meet enhanced environmental performance criteria as GPs, based on internal standards for GHG emissions, resource utilization and usage of chemical substances. The GP development rate measures the total value of Green Products shipped from our factories as a proportion of all the products developed in that year. We are aiming to raise this rate to at least 90% by fiscal 2011, even while progressively raising the accreditation standards.

- **Every production site a Clean Factory (CF)**

Introduced in fiscal 2006, our CF Accreditation System quantitatively evaluates the efforts of each production site worldwide to reduce the environmental impact of its operations. The CF accreditation rate measures the proportion of Panasonic factories worldwide that have met our internal criteria. By fiscal 2011 we aim to raise this figure to 90% or more.

### Fiscal 2007 overview and ongoing challenges

In fiscal 2007 we made further progress in terms of Factor for One Household. We achieved a GHG Factor of 2.8. The GP development rate in fiscal 2007 was 96%, comfortably ahead of the plan target of 74%. The CF accreditation rate of 78% was also ahead of plan (58%).

Worldwide interest in global warming is increasing as the start of the first commitment period of the Kyoto Protocol approaches in 2008. In fiscal 2007, Panasonic's global CO<sub>2</sub> emissions equaled 4.13 million tons, on a par with the previous year. Reducing the level of these emissions through global restrictions is an important issue for us.

Fiscal 2007:GP development rate

96%

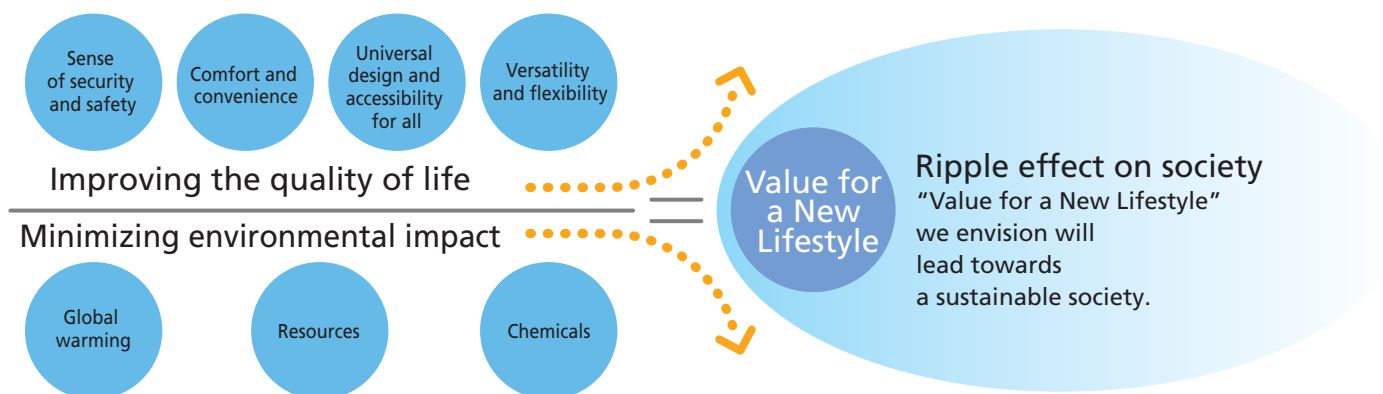
Hidetsugu Otsuru

Director  
In Charge of Facility Management, Quality Assurance,  
Corporate FF Customer Support & Management Division,  
Environmental Affairs, and Recycling Business Promotion





## Creating Value for a New Lifestyle



## Green Plan 2010

Item	Indicator	Results in Fiscal 2007	Targets for Fiscal 2011
Value for a New Lifestyle	GHG Factor*1	2.8	5 (relative to fiscal 1991)
	Resource Factor*2	1.6	3 (relative to fiscal 1991)
Green Products (GP)	Green Product development rate	96%	At least 90% (relative to fiscal 2001)
Clean Factory (CF)	Clean Factory accreditation rate	78%	At least 90% (relative to fiscal 2001)

\*1. Ratio of GHG efficiency of evaluated products versus standard products

\*2. Ratio of resource efficiency of evaluated products versus standard products

## Environmental management: incremental progress against an integrated set of targets

Environmental management policies and core activities are formulated on an annual basis across Panasonic and its group subsidiaries, based on Green Plan 2010 and the business plans announced at the start of each year. The Environmental Working Committee meets three times a year. The first committee meeting is held in February, and the results of this meeting are circulated to all employees. Based on the above, each business domain company formulates three-year GP development and CF accreditation plans against which progress is measured.

In June, we review the results achieved in the previous fiscal year in the next committee meeting. Activity plans for the current fiscal year are revised or reinforced as necessary. To prevent complacency, Panasonic also invites experts in environmental fields to give presentations to managers. These opportunities to listen to independent professional viewpoints help us make steady progress toward achieving environmental management goals.

In October, representatives of environmental management operations from each global region participate in the next committee meeting. As well as reviewing progress, this meeting is a forum for sharing case studies and best practices around the world with the aim of achieving a higher overall standard of activities. The meeting also studies environmental management policies and core activities for the following fiscal year.

This system of three meetings per year by the Environmental Working Committee provides a powerful tool for implementing environmental management PDCA cycles. Panasonic remains committed to achieving the Green Plan 2010 goals.

## PDCA cycle for environmental sustainability management



Our commitments in fiscal 2006:

- To improve environmental efficiency in products.
- To improve global environmental performance in production.

### Super GP tilted-drum washer/dryer wins various product awards in Japan

The NA-VR1000 tilted-drum washer/dryer gained internal "Super GP"\* accreditation in fiscal 2006. The world's first washer/dryer fitted with a heat pump, this product uses approximately 50% less power and water than conventional models and also dries clothes twice as fast. It won the Best Product award at the 2006 Nikkei awards sponsored by the *Nihon Keizai Shimbun*, a leading Japanese newspaper. Two later models in the series, the NA-VR1100 and NA-VR1100R, also won accolades as the most eco-friendly products in the 3rd Eco-Products Awards sponsored by the Ministry of Economy, Trade and Industry (METI), along with a prize given by the Director-General of the Agency for Natural Resources and Energy at the METI-sponsored 17th Energy Conservation Awards.



\*Super Green Products: Products that set trends leading to the realization of a sustainable society and that show significant progress in environmental performance.



### A practical test bed for product recycling

Based on the concept of "from products to products," the Matsushita Eco Technology Center (METEC) conducts research into making home appliances more recyclable and develops recycling technologies to gain resources from end-of-life products. All sections of Panasonic and its group subsidiaries receive feedback from the R&D programs conducted at METEC into designing easy-to-dismantle products, disassembly technologies and related work on materials. The results filter down into a wide range of products. At the same time, Panasonic operations worldwide are engaged in activities aimed at achieving "zero waste emissions" for all types of waste by reusing products and recycling resources. In fiscal 2007, we recycled a total of around 670,000 appliances. METEC also works to educate the public by disseminating and sharing information. In its six years of operation, a total of 58,000 people from around the world visited METEC.



Examining the feasibility of dismantling and recycling products

### Energy-conserving projects at Malaysian plants earn CDM accreditation



A Japanese engineer confers with the manager of a local plant

Panasonic is contributing to the prevention of global warming by introducing projects that help to reduce global CO<sub>2</sub> emissions through the Clean Development Mechanism (CDM\*) authorized by the Kyoto Protocol. Our plants in Malaysia have invested in 26 separate projects to upgrade compressors, boilers and other items of capital equipment to more energy-efficient technology, achieving a total annual reduction of around 8,000 tons in CO<sub>2</sub> emissions

terms. Applications for CDM accreditation were made to the Japanese and Malaysian governments in February and July 2006, respectively. The project gained official UN accreditation under the CDM in March 2007, making Panasonic the first company in Japan to receive such accreditation for energy conserving projects.

\*CDM: Allows developed countries to receive offsetting emission credits by jointly organizing local GHG emission reduction projects with developing nations.

### CO<sub>2</sub> emissions reduction of 53,000 tons achieved in China through internal competition

Panasonic has been proactive in trying to cut GHG emissions at operations in China. Under a three-year plan ended in fiscal 2007, efforts included the development of energy management systems and investments in acquiring local expertise in energy conservation assessment. In fiscal 2007, Panasonic Corporation of China led efforts to cut emissions further through an internal competition that spurred 213 improvement projects across 35 local subsidiaries. Parallel development based on the best examples taken from this competition enabled a total reduction in CO<sub>2</sub> emissions of 53,000 tons in fiscal 2007 compared with the previous year.



An energy-saving assessment on view at one factory

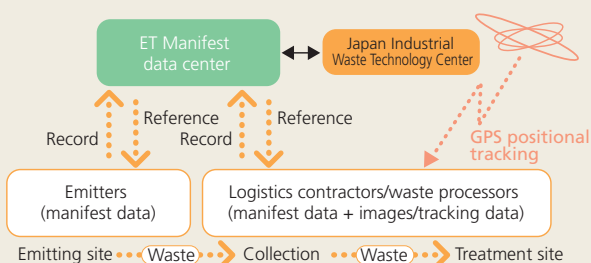


## ET Manifest system introduced to all production sites in Japan

Since 2003, Panasonic has fulfilled its legal responsibilities in Japan as an emitter of industrial waste by introducing the use of electronic manifests\* named ET Manifest to facilitate the online management of information relating to such wastes. The integrated system operates around a central database that records and stores the data of manifests. Issuance of e-manifests also enables more transparent management of disposal and treatment processes for industrial wastes by allowing GPS-based tracking and identification of individual waste consignments. In fiscal 2007, Panasonic completed the process of introducing the e-manifest system at all 92 production sites operated by Panasonic in Japan.

\*Based on the law governing waste treatment, the Japan Industrial Waste Technology Center uses such electronic manifests to manage a system that records the treatment of industrial waste.

### ET Manifest system for industrial wastes



## PCB removal and soil remediation measures in Japan



Since our voluntary disclosure in January 2003 that capacitors containing PCBs (polychlorinated biphenyl) had been buried at some sites in Japan, group-wide efforts have focused on

implementing emergency safety measures, excavating the buried materials, instituting appropriate control measures and informing the authorities of such activities. In December 2005, we completed registration with the Japan Environmental and Safety Corporation (JESCO) of all quantities exceeding 10kg of transformers and capacitors containing insulating oil with PCB traces (JESCO is the body charged with processing PCB wastes). Currently registration procedures remain ongoing only at Panasonic Electronic Devices Matsue Co., Ltd., and are due to finish in 2008. In addition, Panasonic became the first private-sector firm in Japan to complete a successful soil remediation verification process, which was conducted during a five-month period starting in May 2005. Efforts continue to make progress with soil remediation programs at all sites where PCB wastes are stored.

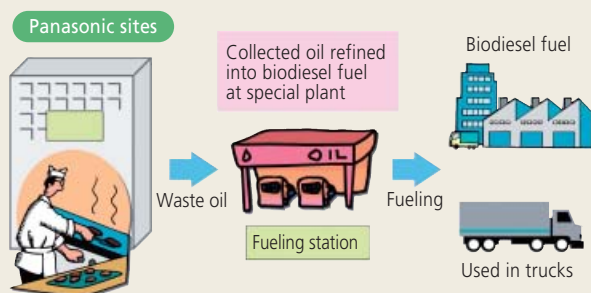


## Ongoing expansion of biodiesel fuel recycling scheme in Japan

Waste cooking oil collected from staff restaurants at Panasonic sites in the Kusatsu region of Shiga Prefecture is being recycled into biodiesel\* to supply fuel for the fleet of hybrid trucks employed by Matsushita Logistics Co., Ltd. In July 2006, the scheme was extended to cover seven Group sites across the whole prefecture and supply fuel for vehicles used in nationwide distribution operations. In September 2006, we invited other businesses to join the scheme, boosting projected annual collection volumes of cooking oil to over 32,300 liters. In fiscal 2007, we also introduced the scheme in the neighboring urban Kyoto-Osaka-Kobe corridor, boosting capacity by a further 24,500 liters toward the fiscal 2007 target of 70,000 liters per year.

\*Biodiesel: An alternative light fuel made from plant-derived materials

### Recycling scheme for waste cooking oil from staff restaurants



### Panasonic reply

Our aim is to make a major contribution to the development of a sustainable society by creating and promoting Super Green Products. Positive comments from stakeholders motivate us to take the next step by making plans for the future and undertaking necessary initiatives.

### Stakeholder opinion

"The development and promotion of products and services needed for a sustainable society creates new corporate value as well as helping to realize sustainable economic development. I hope that Panasonic will be successful in its marketing so that it can sell more super GPs and help to popularize the use of household fuel cells in Japan."

**Sachiko Takami**  
Representative, The Natural Step Japan (NGO)





## Open and aboveboard, based on a "corporate conscience"!

We need to ensure that the idea of "corporate conscience" is widespread across Panasonic and its group subsidiaries. In other words, Panasonic needs to demonstrate it is a company that can make careful judgments on how it should act or not based on how beneficial those actions are to society as a whole. To that end, by establishing self-governing management systems on a global basis and conducting business in an open and aboveboard manner, we are endeavoring to ensure thorough compliance.

### Basic approach to enforcement of compliance

Public criticism of corporate scandals has been concentrated on illegal behavior, illustrating that stakeholders' trust in companies has been shaken.

At Panasonic, our fundamental viewpoint is that we should be fully accountable to stakeholders, not only by observing laws and regulations, but also by thoroughly ensuring highly transparent management based on a strong sense of ethics.

To that end, we formulated the Matsushita Group Code of Conduct, a set of guidelines on the implementation of the Group's management philosophy. As a unified global standard, the Code applies to approximately 330,000 Directors, Executive Officers, and employees of Panasonic and its group subsidiaries both in and outside Japan.

Furthermore, the Compliance Committee, chaired by the President, shares information concerning compliance issues throughout the Company and communicates action policies to the whole Company. We also work to raise awareness and enhance implementation of compliance at all locations where business is actually conducted on a global basis. We do this via legal departments established at business

domain companies and overseas regional headquarters, Directors and Executive Officers in charge of ensuring observance of the Code of Conduct, staff responsible for fair trade, staff responsible for export management, and staff responsible for various corporate functions.

### Fiscal 2007 overview and ongoing challenges

Based on our strongly held view that the Company must absolutely not commit any compliance violations, Panasonic is taking initiatives to ensure the implementation of thorough legal compliance and corporate ethics. For some time, we have worked to ensure thorough compliance tailored to the business operations, business characteristics, and regional characteristics for each type of job, business domain company, region, and country.

In fiscal 2007, in addition to previous measures, we expanded initiatives based on cooperation with other functions in the Company, with the aim of establishing a compliance framework and promoting activities that will form the foundation of a "trusted company." One example was the creation of a "Compliance Awareness Month."

In addition, we held regular meetings with the legal departments of various overseas regional headquarters, and we increasingly engaged in specific discussions regarding the thorough implementation of global compliance.

In fiscal 2008, we will continue to develop these measures. At the same time, we will globally promote activities aimed at establishing compliance that befits Panasonic and further fostering and entrenching a culture that values "corporate conscience."



# 330,000

Number of Directors, Executive Officers, and employees with shared understanding of the Matsushita Group Code of Conduct

### Ikusaburo Kashima

Managing Director  
In charge of Legal Affairs, Corporate Risk Management, Corporate Information Security and Corporate Business Ethics, Legal Consultation & Solutions Center, and Corporate International Affairs

## Our commitments in fiscal 2006:

- To enhance capabilities of planning, developing rules, promoting, and monitoring compliance-related issues.
- To promote compliance efforts globally, e.g. trade laws.

### Companywide compliance measures and global expansion

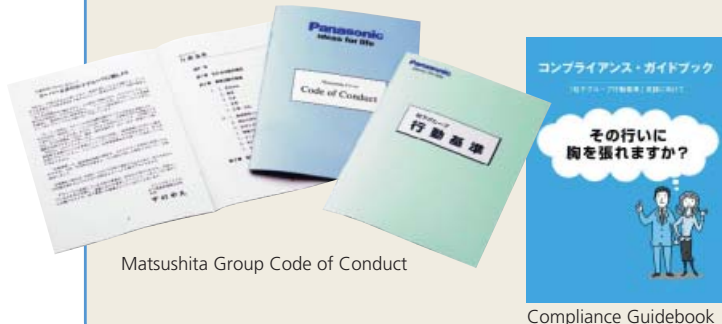


In fiscal 2007, with the aim of fostering a culture of compliance within the Company, we established a "Compliance Awareness Month" (October every year) in Japan and promoted unified activities throughout the whole Company.

During this period, as a tool to put the Matsushita Group Code of Conduct into practice, we distributed a Compliance Guidebook to approximately 130,000 employees of Panasonic and its group subsidiaries. At the same time, we carried out a "Compliance Understanding Check" (in the form of a web-based test) as part of measures to ensure that every single employee personally understands legal compliance and corporate ethics issues.

In fiscal 2008, based on cooperation with overseas regional headquarters, we will expand these initiatives to each region of the world as we endeavor to further reinforce a global framework that can respond swiftly to issues spanning countries and regions.

Through these endeavors, we will further bolster and enforce global compliance that is compatible with the different cultures and laws of each country and region.



Matsushita Group Code of Conduct

Compliance Guidebook

### Fair trade compliance



In February 2003, Panasonic was issued a cease and desist order with respect to its sales activities, which was followed by a trial procedure by the Japan Fair Trade Commission (JFTC). In its decision, handed down in March 2006, the JFTC concluded that Panasonic's sales activities regarding a traffic light installation project commissioned by the Metropolitan Police Department violated the Antimonopoly Act.

In light of this serious matter, Panasonic provided a status report on the progress of its recurrence-prevention measures to the Compliance Committee, which then redoubled the Company's commitment to compliance and implemented measures promoting high standards of corporate ethics on a group-wide basis.

Panasonic is further accelerating the promotion of "on-sight-centered" fair trade compliance, which is the implementation of fair trade activities led by the legal division and the fair trade officers of domain companies in Japan and overseas.

Having positioned violations of the Antimonopoly Act as one of the major risks to be targeted in fiscal 2008, we will conduct enhanced monitoring of the status of compliance. This will contribute to the implementation of improved fair trade activity in Panasonic and its group subsidiaries. In addition, we will continuously endeavor to firmly establish fair trade compliance in our corporate culture.

### Measures to ensure compliance with trade laws



To ensure thorough legal compliance relating to security export control in each country and region, Panasonic has assigned officers and staff responsible for export management at business domain companies and marketing departments, under the supervision of Panasonic's International Trade Control Office.

In fiscal 2007, to eradicate customs issues in China, which is one of the Company's major production and sales bases, we conducted a self-assessment and carried out monitoring measures relating to import custom regulations at all our Chinese subsidiaries, under the leadership of related departments in Japan and China.

In fiscal 2008, as part of the Company's global logistics reforms, we will work together with all worksites to establish a trade law compliance system.

### Stakeholder opinion

"I can highly commend the Company's steady initiatives to ensure compliance. Going forward, I hope that Panasonic will work even harder to comply with its management philosophy (observance and harmonization) in order to help create a sustainable society."

One Akiyama  
President, Integrex Inc.



### Panasonic reply

"Since its foundation, Panasonic has regarded its management philosophy of 'a company is a public entity of society' as the basis for a variety of activities. While maintaining good communication with diverse stakeholders, we will continue to promote compliance globally based on our 'corporate conscience.'"

# Creating Value With CSR-conscious Business Partnerships

Panasonic extends the fulfillment of its corporate social responsibilities to procurement activities. In addition, we seek to work together with suppliers that share this commitment to CSR.

The EU RoHS Directive provided a test of our global partnership with suppliers. The task of instituting a compliance program began in 2004, when we first approached over 9,000 suppliers worldwide to gain their cooperation. Together we were able to overcome all the issues involved, resulting in a truly global partnership. With this process, we took a major step forward in terms of creating value to satisfy Panasonic customers worldwide.

## Fiscal 2007 overview and ongoing challenges

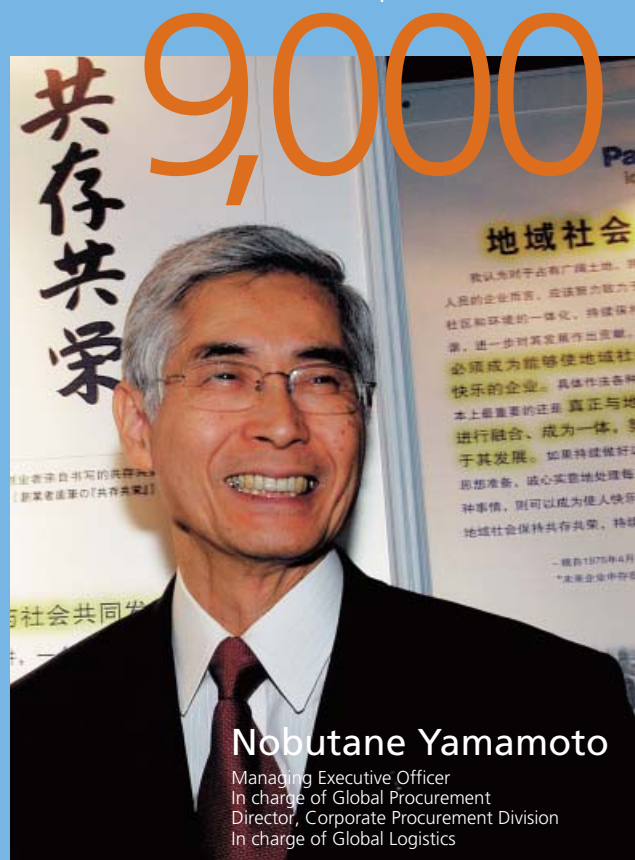
Panasonic aims to contribute to a sustainable society by ordering most of its parts and other inputs from excellent suppliers. Development of the global supplier network is based on a three-stage process, involving (1) a preliminary review, (2) the signing of a Basic Purchase Agreement, and (3) scheduled audit and evaluation. In fiscal 2007, the proportion of orders given to major suppliers was just over 70% in Japan. We are currently actively promoting our Basic Purchase Agreement as the basis for supply contracts with business partners around the world. We concluded this process with all China-based suppliers in fiscal 2007. We aim to finish the process with all of our suppliers worldwide by September 2007.

In the past, our selection and management framework for parts and materials suppliers was based on QCDS (Quality, Cost, Delivery and Service) criteria plus an evaluation of the firm's management capabilities and financial strength. Today, we operate a CSR-conscious Procurement Evaluation System, which takes into account environmental management, human rights policies, occupational safety and health (OSH), and information security.

As part of our ongoing efforts to conduct CSR-conscious procurement worldwide, in March 2007 we held conferences in China aimed at 2,300 local companies to explain our thinking on this key topic. Panasonic sees open discussions with suppliers as the way forward, and plans to hold conferences targeting a total of 3,300 companies in Asia, Europe and the Americas by June 2007.

## Supplier network:

Number of major suppliers worldwide with which Panasonic and its group subsidiaries undertake CSR-conscious procurement activities:

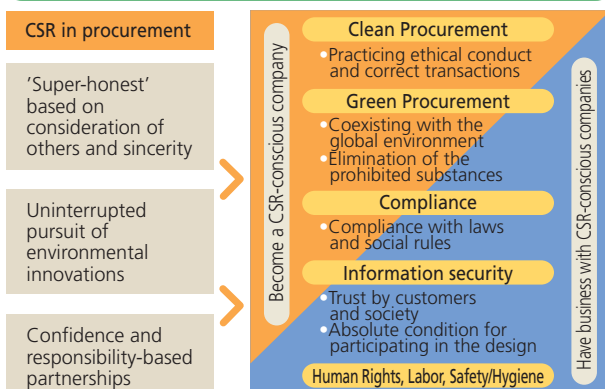


**Nobutane Yamamoto**

Managing Executive Officer  
In charge of Global Procurement  
Director, Corporate Procurement Division  
In charge of Global Logistics

## Initiative for CSR Procurement

Without practicing CSR procurement, an enterprise is neglected by society today



## Clean Procurement Declaration: the basis for CSR-conscious procurement

Issued in November 2004, the Clean Procurement Declaration sets out the basis for our CSR-conscious procurement activities. It stipulates an employee code of conduct and compliance items such as a rule prohibiting employees from accepting supplier invitations to dinners or other business entertainment. We have also set up the Fair Business Hotline for suppliers to contact Panasonic with any concerns or questions.

By first undertaking CSR activities ourselves, and then entering into partnerships with suppliers with a similar commitment, we are promoting the realization of CSR throughout the supply chain.

CSR



CSR

## Green procurement: environmental audits of 7,100 suppliers

Panasonic first started "green procurement" activities in 1999. Today, we conduct environmentally conscious purchasing worldwide. As part of measures to comply with the EU RoHS Directive, between December 2003 and April 2004 we organized meetings in 16 locations around the world to discuss green procurement standards with approximately 9,000 suppliers. As part of our response to RoHS, we requested that suppliers provide non-use warranty certificates for chemical substances specified in the directive (lead, mercury, cadmium, hexavalent chromium and certain specified brominated flame retardants). All companies complied with this request. In addition, we asked suppliers to complete a survey of managed chemical substances to generate information for our online Green Products database (over 900,000 pieces of data were provided).

Since fiscal 2005, we have implemented a system of regular environmental audits to evaluate the quality assurance (QA) systems of our suppliers. These audits covered about 7,100 companies during fiscal 2007. Future plans call for extending such QA audits all the way up the supply chain to include sources of raw materials. Based on the audit results, we also assist suppliers in upgrading the quality of operations. In a separate move designed to upgrade chemical substance monitoring systems related to procurement, we have installed 400 X-ray fluorescence spectrometers at Panasonic sites worldwide to aid in the analysis of supplied parts and materials.

Such initiatives helped us to achieve full global RoHS compliance for all products in October 2005, ahead of the rest of the industry as well as the scheduled enforcement date of July 2006. Product-related legislation and other regulations continue to advance in all countries and regions of the world, prompting ongoing efforts on our part to upgrade and strengthen compliance systems.

In fiscal 2008, we plan to implement measures covering our supply chain to curb CO<sub>2</sub> emissions, now a global issue. Initially these measures will be implemented on a trial basis, with the planned introduction of a full-scale program in fiscal 2009.

CSR

## Top-level compliance: thorough measures to prevent violations

Compliance is a prerequisite to the conduct of business. As a responsible corporate citizen, Panasonic aims to uphold social norms, laws and regulations in every country and region, including laws in Japan relating to the use of subcontractors and the customs and tariff laws that apply to global procurement. We aim to conduct all purchasing activities with honesty and sincerity, respecting the spirit of free and fair competition.

In Japan, training courses, audits and other measures aim to ensure full compliance with laws governing the use of subcontractors. We also use IT to implement structures to prevent compliance violations in the event of errors. Similarly, we request and ensure that our suppliers comply with such laws and regulations.



A training seminar for suppliers on information security standards

CSR

## Respecting employees: human rights and occupational safety and health

Panasonic's Basic Purchase Agreement requires suppliers to respect the rights of all employees in a number of areas, including equal-opportunity employment, a ban on discrimination in the workplace, respect for privacy and the maintenance of good workforce relations. As well as requiring suppliers not to use any forced or child labor or to allow any illegal working practices, Panasonic also seeks to ensure that suppliers comply fully with labor laws and regulations relating to employment conditions while maintaining health-conscious, safe and comfortable working environments.

CSR

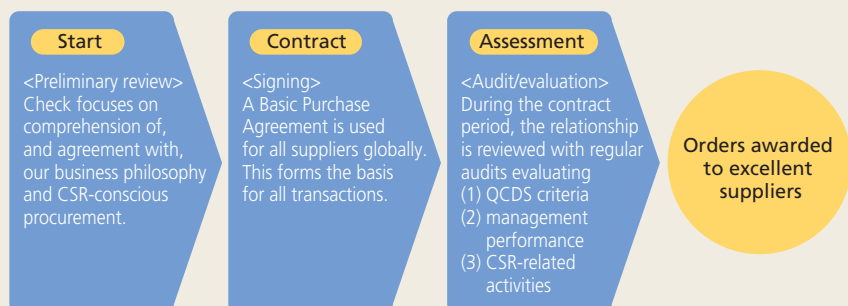
## Information security: self-checking by 3,400 leading suppliers in Japan

Creating products necessarily requires close cooperation between manufacturers and suppliers from the design and development stage onward. To ensure that there is no leakage of confidential information, we require that our suppliers operate on the same level as Panasonic in terms of information security.

In Japan, around 3,400 leading Panasonic suppliers have voluntarily implemented self-checking procedures to evaluate information security levels. In December 2006, we published a set of information security standards for suppliers detailing the level of security required to facilitate the sharing of confidential information. In line with this move, we are also organizing training seminars to assist suppliers in making any necessary improvements. In fiscal 2008, we plan to make further progress by starting activities to promote greater information security across global operations.

## The purchasing process: Basic Purchase Agreement conclusion and compliance

Our procurement activities focus on excellent suppliers based on a three-stage process, involving (1) a preliminary review, (2) the signing of a Basic Purchase Agreement, and (3) scheduled audit and evaluation. In the event that a supplier breaks the Basic Purchase Agreement, they are expected to promptly rectify the situation and issue a report to Panasonic. We expect strict compliance with these agreements, and in some cases we respond to violations by scaling down or even ceasing trading with the supplier.



## (Special Report) Building True Partnerships CSR-conscious Procurement Conferences in China

In March 2007, we organized conferences on CSR-conscious procurement in Shanghai and Guangzhou for our local Chinese suppliers. Approximately 2,300 people from 2,000 China-based suppliers attended the meetings, which are unique in the industry. At each conference, Nobutane Yamamoto (an Executive Officer in charge of corporate procurement, currently Managing Executive Officer) gave a presentation on the history of Panasonic operations in China and our CSR-conscious procurement policies.

Detailing our basic approach as a CSR-focused enterprise, which is to implement CSR-conscious procurement by developing longstanding supply relationships with firms that also undertake such activities, the conference explained Panasonic's policy of doing business with CSR-conscious suppliers that are dedicated to activities such as legal and regulatory compliance, information security, environmental protection and respect for human rights. The conference also featured discussions on the Clean Procurement Declaration, the development of fair and appropriate global purchasing activities, and Panasonic's commitment to an unbiased procurement process without "private interests." The meeting closed by issuing a call to our local suppliers in China to work, grow and prosper together as companies that take CSR seriously.

## Clean Procurement Declaration

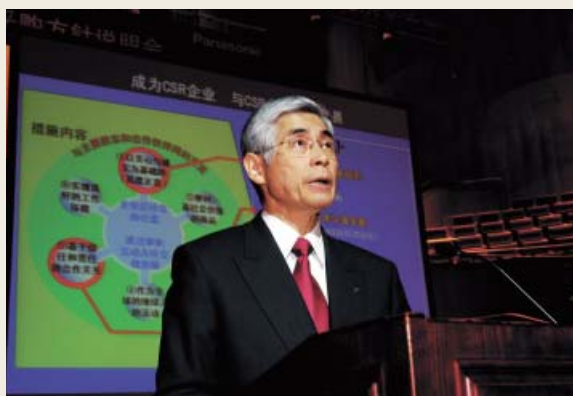
### Fair and Appropriate Procurement Activities

#### Fair and appropriate business relationships

No "private interests" in the procurement process  
Fair and appropriate transactions with global suppliers

#### Implementing unbiased procurement

1. No acceptance of non-approved business entertainment
2. No supplier-funded golf tours or other recreational trips
3. No acceptance of gifts
4. No acceptance of money, checks or vouchers
5. Prohibition on insider stock trading, including unlisted shares



## Stakeholder Opinions

Panasonic is committed to dialogue with a wide variety of stakeholders. In fiscal 2007, we began holding discussions with suppliers in all regions to elicit opinions on how best to develop CSR-conscious business partnerships. Below we highlight some of the comments received from suppliers based in China.

### Electronic component manufacturer

"I was impressed with Panasonic's basic business philosophies of 'contributing to society through business' and 'mutual prosperity,' both of which are highly tuned toward the core idea of corporate social responsibility. I hope that we can build strong cooperative relationships with Panasonic by jointly undertaking CSR-related activities."

Sakae Yoshizawa

Keiko Nakano



### Information equipment manufacturer

"Our company is also engaged in activities related to green procurement, information security and quality. This conference reminded me how companies should not purely pursue profit but should also fulfill their corporate social responsibilities. I think that such ideas need to be reflected in a company's policies."



Fang Li

### Steel coil processing center

"I realized that CSR-related activities are a must for our own company if we want to expand globally. I hope that we can use the opportunity afforded by adopting such CSR-conscious procurement policies to enable each employee to understand and put into practice concepts such as green procurement, clean procurement and compliance. I believe that we should work actively to reform attitudes and to improve service throughout our operations so that we can raise the value of our company as a truly excellent business partner."



Dialogue with suppliers based in China (March 2007)



Liu Haiqing

Hiroki Kodama

### Molded parts manufacturer

"We have a history of working with Panasonic on environmental activities. It has been hard for us to comply with all the demands because we are a small company, but as a result we have been able to upgrade the level of our operations. We will certainly think about how we can follow Panasonic's CSR-conscious procurement policy."

Shi Yaohua



Chen Yi

Li Jianjun

### Plastics compounder

"While our company has been dealing with Panasonic for many years, this conference made me realize that we now need to work to create an even stronger partnership. We believe that legal compliance is a natural requirement for a listed company, and that such issues should not be viewed purely from a profit-conscious standpoint. In some respect, recognizing the demands made by CSR will be difficult, and so I hope that Panasonic will be able to support our efforts."



# A philosophy based on “education and coexistence” focusing on children, the environment and the community.

## Basic approach to corporate citizenship activities

Since its inception, the business philosophy of Panasonic has been based on the concept of contributing to global cultural advancement and greater affluence as “a public entity of society.”

Today, Panasonic corporate citizenship activities are attuned to the demands placed on global enterprises in the 21st century. With “education and coexistence” as the basis for developing solutions to myriad social issues, the Company’s programs prioritize activities in the three

areas of “children,” “the environment” and “the community.” Panasonic works closely with NPOs and NGOs, while also providing support for volunteer activities undertaken by employees.

Looking to the future, as society continues to place greater demands on the corporate sector, Panasonic will make an unwavering contribution to creating a better society in cooperation with all stakeholders.



**Kotoko Togo**

Corporate Citizenship Group,  
Matsushita Electric Industrial Co., Ltd.

**Hitomi Tanaka**

Executive Director,  
Tsukuba Environment Forum (NPO)

## Panasonic NPO Support Fund

With the aim of promoting activities to create a better society, the Panasonic NPO Support Fund is a comprehensive program that supplies two principal forms of assistance to NPOs working in areas related to children or the environment. First, the fund provides financial assistance so that such organizations can operate on a more stable basis. Second, the fund seeks to share specific project-related expertise. Since its establishment in 2001, the NPO Support Fund has extended assistance to a total of 78 organizations, with financial donations totaling ¥83 million. On the next page we hear the views of one NPO, the Tsukuba Environment Forum, which received money from the fund in fiscal 2003. This group undertakes a variety of activities aimed at communicating the wonders of nature to children.



**Togo:** What do you recall about the support that you received from us?

**Tanaka:** I remember that the timing was good. The group had been established about two years, and we needed to upgrade the operational base to keep things running. The financial assistance helped us develop our activities by paying for the printing of pamphlets, a website upgrade and the establishment of proper accounting systems. I recall that we were very busy at that time because we had to create this administrative platform as well as push forward on various programs. Since then we have developed three more programs, including one to create mountain habitats for the giant purple emperor butterfly, and the numbers of program participants and forum members have both increased. The activities are getting more people involved with what we do, and it is the people who represent our major assets.

**Togo:** At the fund, we have put a lot of effort into our communications with NPOs.

**Tanaka:** Well, we certainly felt throughout the entire funding process that the feeling at your end was one of watching out



Hitomi Tanaka

for our needs. Also, the fact that we could count personnel costs as part of the investment in our operational base was key. We really felt as if our entire organization was being supported.

**Togo:** What are your future ambitions, and do you have any request of Panasonic?

**Tanaka:** The Support Fund helped to foster new opportunities for us. I hope that we can work as partners with groups that have received similar funding and Panasonic to create beneficial enterprises.

**Togo:** Thank you for your comments and time today. We hope that your organization continues to thrive and develop new projects.

Kotoko Togo



## Tsukuba Environment Forum (NPO)

Established in 2001, the group's aim is to ensure that future generations inherit the natural environment around Tsukuba in a better state than today. The NPO organizes local environmental preservation and educational activities, and also works to lobby officials. Typical activities include classes and workshops held outdoors in the forests and mountains of the Tsukuba region.

**Web** (Japanese only): <http://www12.ocn.ne.jp/~tef298/>







### Leadership development center established with top Chinese university

Panasonic has teamed up with the School of Public & Management, Tsinghua University to establish a new "Leadership R&D Center" based at the school. The new facility aims to accelerate the development of human resources needed to guide the rapid economic growth of the country while helping to foster improved Sino-Japanese economic relations and cultural interchange.

The center will benefit from leadership development-related expertise and resources provided by Panasonic and Tsinghua University. Aimed at government officials and managers from leading companies, the center's training and research programs and international exchange activities will focus on nurturing leadership ability.

Although Panasonic already has an internal HR development facility in China, plans call for the new center to offer training courses for local Panasonic managers.



Signing ceremony at Tsinghua University (from left: Gu Binglin, President, Tsinghua University; Kunio Nakamura, Chairman, Matsushita Electric Industrial Co., Ltd.)



### CRT production facility in China recognized with CSR award

Since its establishment in 1987, Beijing Matsushita Color CRT Co., Ltd. (BMCC) has donated 1% of after-tax profits to a specially created regional development fund. Over the years BMCC has made total donations to the fund of roughly 20 million yuan, contributing significantly to regional development. Elsewhere, since 1991, BMCC has also made regular donations totaling 6.2 million yuan to projects that support disabled people. In addition, BMCC has promoted HR development by providing pleasant living and working conditions to support the employment of workers migrating from agricultural areas. On the environmental front, BMCC has installed a wastewater treatment plant to provide recycled water for production operations. Recognizing these various efforts over many years, the Chinese government presented BMCC with several awards in fiscal 2007 to celebrate the example set by the firm as a noteworthy corporate citizen, in terms of both its CSR-related and entrepreneurial efforts.



BMCC Chairman Fan Wenqiang holds up the trophy



### Use of AstroVision donated to Gallaudet University for Public Service Announcement

Panasonic Corporation of North America (PNA) donated use of the AstroVision in Times Square, New York City for a Public Service Announcement (PSA) aired by Gallaudet University during October 2005. Gallaudet is the only liberal-arts institution in the world exclusively for hearing-impaired students. The university provides opportunities to a broad age range by housing a pre-school, elementary school and high school on the same campus, allowing students to benefit from a comprehensive educational experience. The PSA gave a general description of the school and its programs.

Besides the donation of airtime for the PSA and other financial assistance, PNA has also supported Gallaudet University over the past several years by providing extensive amounts of broadcast equipment, including products used in a fully digital on-site video production studio that can be used in conjunction with other school facilities and learning materials.







## Consumer electronics recycling event in the U.S.

Panasonic Corporation of North America (PNA) teamed up with other companies and local NPOs to highlight the importance of recycling electronic products by hosting a two-day event at its headquarters in Secaucus, New Jersey. The event saw employees and other people from the local region bring a total of 346 televisions, VCRs, stereos, computers, batteries and other used electronic appliances to a drop-off site at PNA. Mobile phones were also collected and donated to "Phones for Life," an NPO that collects old phones and donates them to victims of natural disasters and others in need. PNA plans to make this an annual community outreach initiative that addresses consumer issues regarding the environment.



Consumer appliance recycling event (Secaucus, NJ)



## Stimulating children's interest in science and engineering in extracurricular classes

Through the UK government-funded "Science and Engineering Ambassador" scheme, Panasonic Mobile Communications Development Europe (PMCDE), a mobile phone development firm, organized several science days in local schools in the UK. Run by a senior PMCDE engineer, these classes were aimed at inspiring children's interest in science and engineering. In the class for 10-year-old children, a discussion on how a Panasonic mobile phone is designed was followed by a hands-on engineering activity where small teams competed to make a toy crane. The class for older students included a lecture on business innovation followed by a group task designed to challenge both engineering and business skills.



## Cooperation with Remploy in the UK for more than 15 years



Remploy Limited is a UK government-backed organization that was set up to create and support jobs for people with a range of disabilities. With numerous factories throughout the UK and operating across Europe, Panasonic has been working closely with Remploy for more than 15 years as a successful business partner for subcontract assembly, with Panasonic staff providing ongoing partnership support in terms of strategic, training and HR development. For example, Panasonic Communications Co. (UK) Ltd. (PCCUK) employs 200 people from Remploy in printer assembly. The partnership continues to thrive: Panasonic Manufacturing UK Ltd. (PMUK) and Panasonic Consumer Electronics UK (PCUK) use Remploy in subcontract work, including fan motor assembly and programming of flash memory for mobile phones.

## Creating comfortable, employee-friendly workplaces

Panasonic is implementing a variety of personnel measures consistent with the principles it has advocated since its foundation. These are the belief that "people are the foundation of business" and the idea of "developing people before making products." Furthermore, while expanding our business activities globally, we also put an emphasis on respect for the basic human rights of Panasonic employees as well as on occupational health and safety activities.

### Basic approach to human resources

We promote human resource development to ensure that our personnel understand our basic management philosophy and constantly accomplish their missions accordingly. The GP3 Plan (please refer to P7 for more details), our mid-term management plan that commenced in fiscal 2008, advocates three priority issues for human resources: promoting global human resource development, accelerating diversity, and further enhancing labor productivity. Based on this plan, we are actively striving to create a corporate culture that makes effective use of diverse people and values and to secure and nurture personnel that can play an active role on the global stage. Through these measures, we aim to realize a lively and exciting Company that constantly pursues the self-fulfillment of individual employees and the improvement of corporate earnings.

### Fiscal 2007 overview and ongoing challenges

In fiscal 2007, we worked to create a corporate culture in which diverse personnel can play an active role, introduced the Skill Evaluation System and implemented other initiatives. In the area of occupational health and safety, we managed to reduce the number of industrial accidents at our sites in Japan to the lowest level ever. In fiscal 2008, the first year of the GP3 Plan, we will strive to train the people and build the corporate culture needed to implement true global management. We will also promote personnel interchange that transcends occupations and national boundaries.

### Priority personnel issues in the GP3 Plan

Promote global human resource development

Accelerate diversity

Further enhance labor productivity

30,000  
people

Target for number of e-Work@Home employees in fiscal 2008

### Shinichi Fukushima

Managing Director,  
In charge of Personnel, General Affairs and Social Relations,  
Director, Corporate Diversity Promotion Division  
In charge of e-Work Promotion Office



## Our commitments in fiscal 2006:

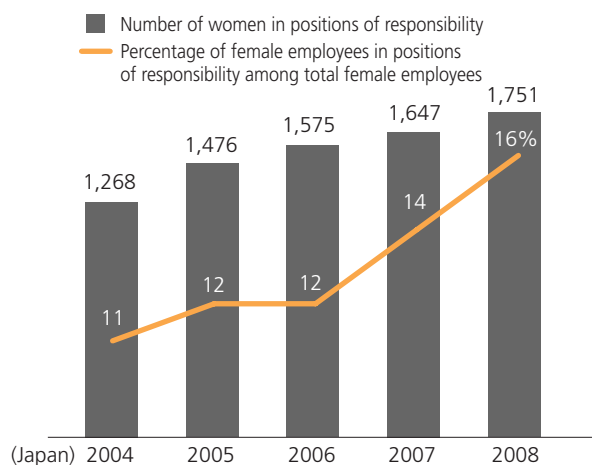
- To create an organizational culture where diverse groups of personnel can contribute, regardless of gender, nationality, or age.

## Creating a corporate culture that makes effective use of diverse personnel and values

In order for Panasonic to provide products and services that satisfy customers all over the world, it is essential the Company creates a corporate culture that allows its diverse employees to fully exercise their capabilities and to play an active role in the Company, regardless of gender, nationality, or age. Panasonic actively endeavors to provide a wide range of opportunities for its motivated and skilled diverse personnel. At the same time, based on the perspective of diversity in working styles, we are striving to promote "e-Work," including working from home, and provide greater support for achieving work-life balance so that employees can work while achieving harmony with their lives at home. In April 2006, we established the Corporate Diversity Promotion Division under the direct control of the president. This organization is promoting greater participation in management by women and active use of diverse human resources throughout the entire Group regardless of age or nationality.

## Numbers and percentages of women in positions of responsibility

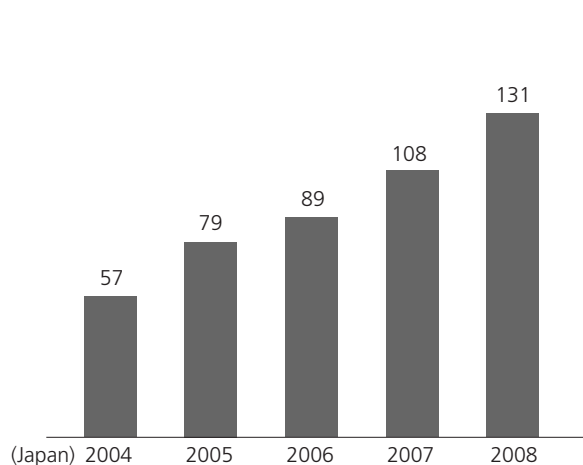
(as of April 1 in each fiscal year)



\* Total for Matsushita Electric Industrial and major Group companies employees in positions of responsibility: employees that have been appointed to positions such as coordinator or counselor

## Numbers of female employees in managerial positions (Section leader or higher)

(as of April 1 in each fiscal year)



Total for Matsushita Electric Industrial and major Group companies



## Measures to promote "e-Work"

To respond to changes in customer values and the marketplace, it is essential to develop a workplace environment where it is easy to work and ensure diverse human resources are utilized. Through e-Work, which utilizes information and communications technology (ICT), Panasonic is creating ways of working where employees can demonstrate their capabilities to the maximum extent while achieving a balance between their work and personal life regardless of time and place. This will also lead to an increase in the labor productivity of the entire organization and the maximization of customer value. Furthermore, we have introduced our "e-Work@Home" program on a full scale, targeting approximately 30,000 home-based workers from April 2007. We also set up "spot offices" at major domestic offices to allow employees to do their work even when they are on business trips.



## "e-Work" measures in North America

We have also initiated "e-Work" measures at Panasonic Corporation of North America. To become a high-performance organization that responds swiftly to changes in the market, we have been trialing the High Performance Work Program (HP Works), based on the concept that the high motivation and efforts of every single employee are indispensable. We are cultivating a workplace culture that strengthens business operations, enhances productivity, and empowers employees while enabling them to achieve compatibility between their work and home life. We are trialing HP Works on about 800 employees, who can choose a flexible working style such as home-based work, mobile work, short-time work, or flexitime work. We initially plan to implement this program for 50% of the persons targeted, and as of the end of March 2007, 61 people have elected to work at home and 106 others have chosen mobile work or flexitime work.





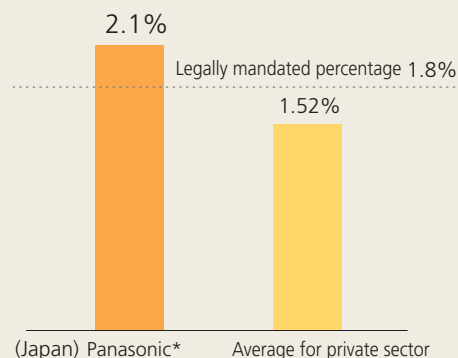
### Supporting work-life balance

As part of efforts to create an environment where diverse personnel can be active in the Company, we are vigorously working to support a balance between employees' work and family life. In April 2006, we extended the period during which employees can take child-care leave to the end of the first April that their children enter primary school, and employees are allowed to take leave during this period for up to two years in total. In addition, after returning to work, employees are eligible for the Work and Life Support Program until their children are in the third year of elementary school. This program allows them to choose short-time work such as half days, two days a week, or three days a week. We have also newly introduced the Child Plan Leave System, which allows employees to take a total of one year's leave for the purpose of infertility treatment. In addition, we are striving to create a work environment that facilitates the use of all these systems; for example, we educate and raise the awareness of employees about the schemes through case studies and guidebooks for managers. These efforts have been publicly recognized, and Panasonic received the Nikkei Award for Support of Child-Raising, sponsored by the *Nihon Keizai Shimbun*, in January 2007.



### Promoting the employment of persons with disabilities

The percentage of persons with disabilities hired in Japan by Matsushita Electric Industrial and major Group companies is 2.1%. The Company has maintained a higher hiring rate than the private sector average (1.52%) or the legally mandated rate (1.80%). Panasonic also runs special affiliated companies based on the third-sector system through cooperation with local communities and government agencies to provide work opportunities for persons with severe disabilities.



\*Total for Matsushita Electric Industrial and major Group companies



**Kazuo Choja**

In charge of car navigation development at Panasonic Automotive Systems Company

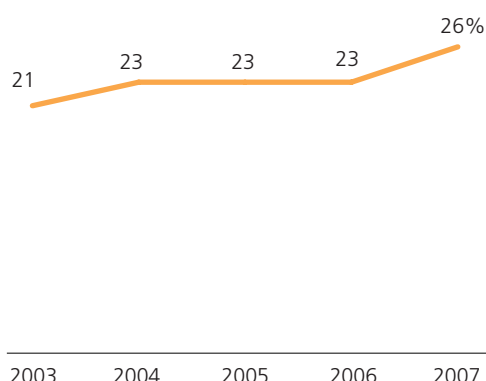
### One male employee's experience of child-care leave

Only women can give birth, but men can play their part in raising children, other than breast feeding of course. I wanted to help raise my child so I took three months' child-care leave after my wife had taken six months leave. Once I had reached a convenient stage of my job at the time, I handed it over to other colleagues and the burden of work was adjusted in the workplace overall. As my wife helped me to prepare for taking over the child-caring before I took child-care leave, my first contact with other parents at the playground went smoothly. I also became friends with people in the neighborhood that I had previously not talked to much. What made me happy was seeing my child grow before my eyes, like when he started to hold onto things and stand up for the first time. I also realized that children do not always do as they are told. Fortunately, I became much more patient.

### Global human resource development

To become a company that achieves global excellence in the truest sense, it is necessary to recruit the best human resources from around the world, regardless of race, nationality, age, or gender, and to properly develop and position them within the Group. Amid the increasing globalization of management environments and markets and the emergence of a borderless world, Panasonic is striving to attract and foster personnel that can play an active role on a global basis.

### Percentage of presidents of companies outside Japan appointed from local staff





## Promoting closer personnel exchanges

For some time, Panasonic has actively promoted personnel exchange for the purpose of both personal and business growth. These exchanges are aimed at: developing and enhancing the skills and flexibility of individuals; respecting the desire to take on challenges; encouraging career formation and human resource development; and strengthening business capabilities and product appeal. Above all, with the aim of proactively supporting personnel that seek new opportunities, we respond fully to any employee with the right skills and motivation who wishes to change jobs within the Group. We have therefore endeavored to accelerate open communication between senior and junior staff regarding the desire to change jobs and to improve systems such as in-house staff recruitment. As a

result, approximately 1,000 employees a year change jobs through their own choice. Going forward, based on the viewpoint of realizing a situation where diverse personnel retain their individuality rather than blending in globally, we will strive to further accelerate and expand personnel exchanges aimed at enhancing the frontline capabilities of each department and division and reinforcing cooperation among business domains. Our aim is for diverse personnel with varied experience and values that transcend countries, organizations, and job positions to respect each other's individual characteristics. At the same time, we will work to establish a win-win relationship where individuals grow in tandem with the growth of organizations and businesses.



## Recruiting and fostering personnel that can play an active role globally

In 2003, Panasonic introduced the Panasonic Global Executive (PGE) system as part of efforts to find and recruit the best human resources from overseas companies, develop them, and appoint them to appropriate positions, from a global perspective. In particular, we have actively promoted the systematic recruitment and appointment of candidates for key positions, and we have improved our executive training programs while collaborating with training centers in various regions. In addition to these measures, we aim to accelerate the localization of management in overseas companies and realize appropriate appointments from a global point of view.



## Skill Evaluation System initiatives to accelerate skills development and flexibility

To become a strong organization that is the global leader in each of its business fields, it is essential for Panasonic to create a stronger and a more dynamic working environment. To that end, we are focusing on creating an environment where all employees respect the individuality of each employee and are able to demonstrate their abilities to the fullest extent. The Skill Evaluation System, which we introduced in April 2006, is based on objective criteria by job type and business domain, and through communication with senior staff, it actively supports employees' efforts to take on challenges to achieve greater job satisfaction while enjoying their work.

### Overview of personnel system after the introduction of the Skill Evaluation System





### Measures to promote recruitment diversity in North America

Panasonic Corporation of North America (PNA) is implementing a Recruitment Diversity Program. PNA's view of diversity is not merely difference in skin color or race; rather, it believes that diversity means making broad use in management of individuals' diverse skills, abilities, interests, knowledge, and personal histories. PNA has reviewed its original recruitment methods and established an interview team for the purpose of adopting diversity, and is focusing on the skills of individuals. Furthermore, to hire more suitable personnel, it is carrying out initiatives such as promoting the transfer of authority to recruitment managers in each department. In America, where mid-career hiring is more common, PNA does not carry out large-scale recruitment of new university graduates. However, in the year under review, the company did implement a new internship program with the view to assessing potential recruits and providing on-the-job training. In this way, PNA was able to utilize highly skilled interns called "Diversity Talent" to provide support to key positions at strategic subsidiaries. PNA will continue to develop these measures and focus on recruiting diverse human resources.



### Promoting human resource development activities through collaboration with Asian universities

In the Asia-Pacific region, Panasonic is undertaking human resource development activities by actively promoting cooperation between industry and academia. Specifically, we set up a course lasting around three months at the National University of Singapore in 2007, while various Panasonic's group companies in Singapore intend to offer internships and carry out "action learning" that combines lectures and practical learning.

We are also considering extending these measures to various other Asian countries, and we will create opportunities that encourage understanding and interest among Japanese companies, and provide useful knowledge and skills in the future. At the same time, we intend to proactively support and promote human resource development in regional communities from a corporate standpoint as well.



A course at the National University of Singapore

## Respect for fundamental human rights and compliance with laws and ethics

When carrying out business activities globally, it goes without saying that we must comply with laws, regulations and ethics relating to employment and labor in each country where we do business. The fundamental policies of the entire Panasonic are not only to respect basic human rights, namely, the prohibition of discrimination, the right to freedom of association, the guarantee of the right to organize, the guarantee of the right of collective bargaining, and the prohibition of forced labor, but also to practice appropriate recruitment and labor management based on the laws and regulations, labor practices, and labor-management relations of each country.



### Promoting labor, health and safety management that preempts changes in the workplace

To protect the health and safety of our employees, and based on the concept of respect for human dignity, we are vigorously promoting occupational health and safety activities that preempt changes in the market. In fiscal 2007, we introduced measures that focused mainly on the following issues:

- Responding to the revised Occupational Health and Safety Law
- Conducting risk assessment and reducing risk
- Promoting measures to counter noise and harmful substances in the work environment
- Promoting measures to prevent damage to health from asbestos on a global basis
- Measures to prevent damage to health from excessive work and measures to improve mental health
- Healthy Matsushita 21 \*

\*Groupwide health promotion activities promoted in the ten-year plan from fiscal 2002





## Formulation of three-year plan until fiscal 2009 and reinforcement of occupational health and safety management

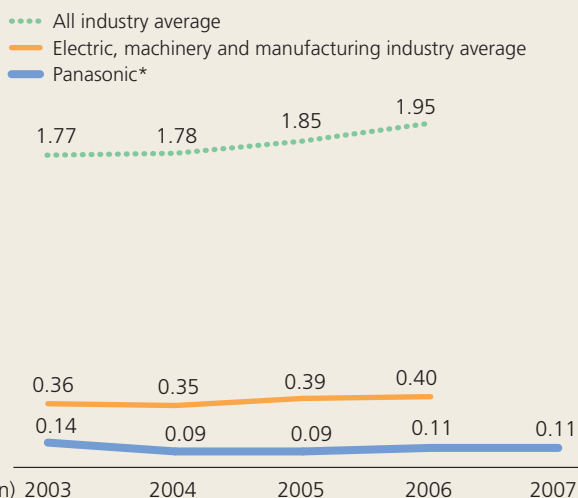
In fiscal 2007, Panasonic formulated a three-year plan. Under this plan, we are building an autonomous management framework based on labor and occupational health and safety systems at all our workplaces by fiscal 2009. We will also promote a zero level of serious accidents\* and a zero level of workplaces that require improvement to the work environment. In terms of health management, we will promote a reduction in the prevalence of obesity and educational activities to promote mental health.

As we carried out measures based on risk assessment results in fiscal 2007, the number of accidents fell to a record low, and the incidence of serious accidents declined from 17% in fiscal 2006 to 16%. In the management of work environments, we promoted steady remedial activities based on the results of work environment measurement, and as a result, we completed measures to improve the environment at 18 of 27 sites that required improvement. Including workplaces that have been newly identified as requiring improvements, we will continue to carry out improvements at 15 sites. Furthermore, with regard to asbestos, we are promoting measures to prevent friability in equipment, by-products and buildings on a global basis. We have completed countermeasures relating to some locations in Japan where there was a risk of friability due to the exposed state of the asbestos. We will also assess the status of asbestos use at workplaces overseas, and we plan to complete countermeasures for the exposed state of the asbestos by the end of March 2008. In health management, we have adopted priority measures such as consultations and guidance by industrial physicians for employees that do substantial overtime work and in-house education concerning mental health. Moreover, in terms of measures to support health promotion activities, we have provided support for health courses and activities to help people give up smoking.

\* Incidents where employees are crushed by or caught in equipment

## Industrial accident rate (Time-lost accident)

(Accidents/one million working hours)



\*Excluding Matsusita Electric Works, PanaHome Corporation, and Victor Company of Japan.



## Health and safety measures in China

In China, we have set up health and safety committees at various Panasonic's companies, and we have established an overall Occupational Health and Safety Management Committee in which all Panasonic's group companies with manufacturing bases in China participate. We are implementing activities such as health and safety audits by district representative committee members, various kinds of training sessions, and "100-day safety and zero accident" activities. Our aim is to standardize health and safety management at a high level. In addition, we are introducing labor and occupational health and safety management systems at each company. As a result, the incidence of accidents has declined year by year.



## Panasonic European Congress established

Following an EU directive\* adopted in 1994, each Panasonic company in Europe quickly set up a voluntary labor-management agreement and established the Panasonic European Congress. In fiscal 2007, 30 employee representatives from 14 countries gathered together for a three-day course in Germany, where they exchanged information regarding management strategy, business challenges, employment and labor conditions, and conducted lively discussions with management executives.

\*A directive that obliges all companies employing 1,000 or more employees in two or more countries of the European Union to establish a pan-European labor-management consultation committee

# Fiscal 2007 Achievements and Future Challenges

Self-assessment : ◎ (above target), ○ (goal achieved), △ (goal partly achieved)

CSR-related area	Fiscal 2006 commitments	Fiscal 2007 results	Self-assessment	Future challenges
Quality	<ul style="list-style-type: none"> <li>To implement an early quality monitoring system on a global scale</li> <li>To accurately identify numbers of each model of FF-type kerosene heaters subject to recall.</li> </ul>	<ul style="list-style-type: none"> <li>Zero incidents with FF-type kerosene heaters (recall identification rate: 69.7%) (as of March, 2007)</li> <li>Quality surveillance system extended to overseas products.</li> <li>Two product safety problems reported newly.</li> </ul>	△	<ul style="list-style-type: none"> <li>Promote further Groupwide extension of system and improve speed of response</li> <li>Continue ongoing program to ensure zero incidents with FF-type kerosene heaters (including continuous recall-related identification process)</li> </ul>
CS (Customer Satisfaction)	<ul style="list-style-type: none"> <li>To promote more rigorous system of incorporating customer feedback into products, centering on Integrated Customer Contact Center</li> </ul>	<ul style="list-style-type: none"> <li>"Corporate VOC* Committee" set up to coordinate Groupwide development of system of incorporating opinions of customers into products.</li> </ul> <p>*VOC = Voice of Customer</p>	○	<ul style="list-style-type: none"> <li>Through Corporate VOC Committee activities, to reach high-level standards by increasing Groupwide sharing of successful cases and challenges of preceding business domains and other companies.</li> </ul>
Universal design (UD)	<ul style="list-style-type: none"> <li>To establish new design guidelines for voice assistance and websites</li> </ul>	<ul style="list-style-type: none"> <li>Voice guidance featured for over 20 products; English-version guidelines in production</li> <li>Panasonic website accessibility improved</li> </ul>	○	<ul style="list-style-type: none"> <li>Develop global UD activity program</li> <li>Conduct e-learning courses for all employees in Japan</li> </ul>
Information security	<ul style="list-style-type: none"> <li>To establish an organization where information security will improve autonomously</li> <li>To reinforce information security deserving of manufacturing-oriented company, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Organization capable of autonomous information security improvement mostly achieved</li> <li>System constructed to enable rapid assessment of any incident globally and facilitate response from customer-first perspective</li> </ul>	○	<ul style="list-style-type: none"> <li>Pillars of mid-term management plan to make IT security stronger and more visible and to strengthen protection of technology information against emerging IT-related threats</li> <li>Emphasize IT security as core activity of fiscal 2008</li> </ul>
Environment* *For details, please refer to the Environmental Data Book 2007	<ul style="list-style-type: none"> <li>To improve environmental efficiency in products</li> <li>To improve global environmental performance in production</li> </ul>	<ul style="list-style-type: none"> <li>GHG Factor of 2.8 achieved</li> <li>Green Products development rate of 96% achieved</li> <li>Clean Factory accreditation rate of 78% achieved worldwide</li> </ul>	○	<ul style="list-style-type: none"> <li>Improve environmental efficiency in products</li> <li>Improve overall environmental performance of production plants worldwide</li> <li>Promote environmental sustainability management globally</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>To enhance capabilities of planning, developing rules, promoting and monitoring compliance-related issues</li> <li>To promote compliance efforts globally, e.g. trade laws</li> </ul>	<ul style="list-style-type: none"> <li>Importance of legal/regulatory compliance and strict business ethics standards reinforced Groupwide to prevent any recurrence of antitrust violations</li> <li>Programs instituted to promote "Enhancing Compliance Month" in Japan and trade law compliance globally</li> </ul>	○	<ul style="list-style-type: none"> <li>Build and strengthen antitrust compliance monitoring functions</li> <li>Expand "Enhancing Compliance Month" program to all regions and further reinforce global compliance efforts</li> </ul>
Global procurement	<ul style="list-style-type: none"> <li>To promote re-signing with all suppliers and auditing based on new Basic Purchase Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Global completion rate of 80% achieved for re-signing with Basic Purchase Agreement</li> <li>System started to determine audit frequency based on evaluation of levels of CSR activities such as environmental management, quality and information security</li> </ul>	○	<ul style="list-style-type: none"> <li>Complete re-signing with suppliers worldwide based on Basic Purchase Agreement by September 2007</li> <li>Hold regional conferences to explain CSR conscious procurement policies to suppliers in Asia, Europe and the Americas</li> </ul>
Corporate citizenship activities	<ul style="list-style-type: none"> <li>To make sure that corporate citizenship policies are shared by all divisions of the group worldwide, and to develop an effective information collection system</li> </ul>	<ul style="list-style-type: none"> <li>Global cooperation boosted at European CSR meeting, which featured presentation of activities targeting senior management of local Group companies</li> </ul>	○	<ul style="list-style-type: none"> <li>Strengthen inter-regional cooperation through CSR activity networks, focusing on three areas; children, the environment, and the community</li> </ul>
Human rights and OHS	<ul style="list-style-type: none"> <li>To create an organizational culture where diverse groups of personnel can contribute, regardless of gender, nationality or age</li> </ul>	<ul style="list-style-type: none"> <li>Employment and vacation systems enhanced further to support improved work-life balance</li> <li>Efforts made to actively promote greater diversity in recruitment, training and appointments</li> </ul>	◎	<ul style="list-style-type: none"> <li>Cultivate organizational culture supportive of diversity-oriented stance</li> <li>Develop globally capable workforce</li> <li>Accelerate shift to more diverse working arrangements, utilizing e-Work initiative and other systems</li> </ul>

## Global Planning Committee

Under the "Global Panasonic" initiative, promoting better corporate communications capabilities to explain what we are doing worldwide is one important aspect of implementing CSR management. In fiscal 2007, we established the Global Planning Committee to coordinate efforts to achieve this aim. Including members from Japan, North America, Europe and China, the committee was involved in the planning and production of Panasonic Report and Website.



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2. Corporate Communication Division  
Itsuko Inui
3. CSR Office  
Michiko Arikawa
4. Panasonic Corporation of China  
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Wang Xiaowei
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Masaharu Matsuoka
9. Corporate Legal Affairs Division  
Masahiro Kishimoto
10. Corporate CS Division  
Nobuo Shiba
11. Corporate Information Security Division  
Shizuo Obinata
12. Corporate Citizenship Group  
Hidehiro Nagami
13. Corporate Environmental Affairs Division  
Shinichi Kudou
14. Corporate Procurement Division  
Jun Asai
15. Corporate Quality Administration Division  
Shigeru Kitayama
16. Industrial Relations Group  
Ryohei Yumiba

## CSR Reporting Both in Booklet Form and on the Website

In addition to its existing printed booklet, Panasonic is now using its Website to provide information about its corporate social responsibility (CSR) activities to people worldwide.

### CSR Report



#### Booklet

Presents Panasonic's stance and basic approach to CSR



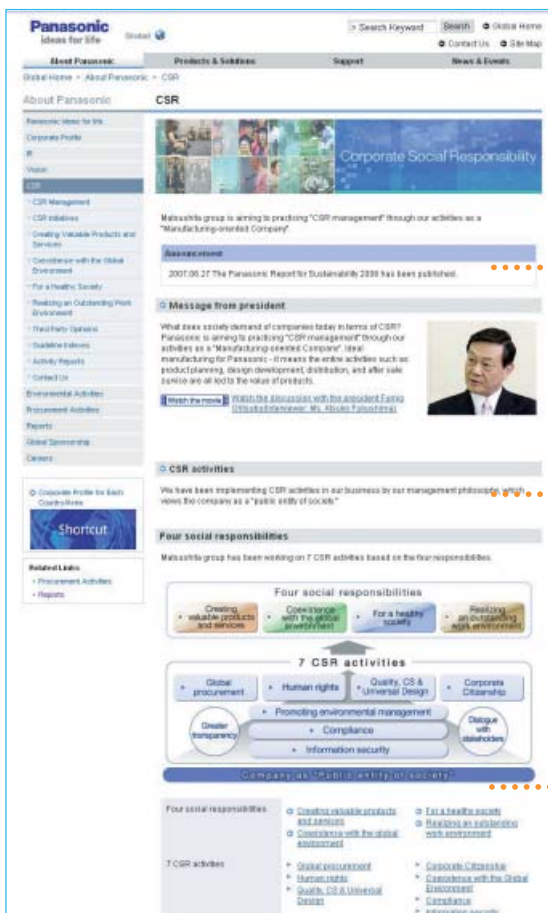
#### Website

Provides data in the form of specific examples of initiatives and quantifiable achievements



### Panasonic CSR Website

<http://panasonic.net/csr/>



#### Feature 1

Provides a wealth of examples and data in addition to the information contained in the booklet

#### Feature 2

Uses new approaches that take advantage of functionality exclusive to the Website, including video content

#### Feature 3

Allows searching of Global Reporting Initiative Guidelines and Environmental Reporting Guidelines



### Third party opinion on Panasonic Activities

It is our view that Panasonic continues to play an important leadership role in supporting the transition to a more sustainable society. There is clear senior management commitment, translated through the company as a whole, and a growing readiness to engage with consumers. The business philosophy, overall vision, and applied manner in which Panasonic manages its environmental and CSR activities is impressive.

This foundation provides a solid basis from which to “move up a gear”, to increase the companies overall ambition level. During the last year, we have witnessed a dramatic increase in awareness and activity towards sustainability in society. Encouragingly, the focus appears to be shifting more and more towards strategic leadership, real commitments and practical action—a positive direction that the world is in urgent need of. Leadership in this changing world will demand far more of Panasonic than has been asked of it in the past. We have focused our attention for this report on five key issues:

#### **The Climate Challenge and the new sustainability agenda**

Climate change, soaring fuel prices and energy security have put sustainability at the top of the agenda for all sectors of society. The Fourth Assessment Report of the Intergovernmental Panel on Climate Change warned us that we have no more than 10-15 years to put in place serious measures to reduce CO<sub>2</sub> and other greenhouse gas emissions. Many companies have already developed comprehensive strategies for reducing CO<sub>2</sub> and other greenhouse gases; some have committed to complete carbon-neutrality within a few years.

Panasonic has started to address climate change. But it still has no absolute emissions reduction target, and is losing some of its competitive edge in this area, both in terms of its own direct emissions and in the carbon intensity of its products.

We therefore recommend that Panasonic develops an overall climate change strategy based on the following criteria: avoid, reduce, substitute with renewable energy, and offset—as a last resort. A major shift is needed from heavy dependence on fossil fuels towards renewable energy, and it would be encouraging to see Panasonic committing to a certain number of carbon-neutral factories in that regard.

#### **Positions and strategies**

There is a difference with dealing solely with the environment and CSR, focusing mainly on minimising impacts, and real change commitments where sustainable development is the overall driving force for core business and innovation. Achieving global excellence requires a systems perspective, clear aims for achieving a restorative effect throughout the business, and a focus on new opportunities that fulfil real human needs.

Panasonic has an excellent foundation to build on with regards to their business philosophy and overall vision for the company—including “coexistence with the global environment.” The vision could now be amplified by a clear, principled definition of success in a low-carbon sustainable world.

Our recommendation is that instead of developing a new Green Plan during the course of 2007, Panasonic

starts to develop a Strategic Sustainability Plan 2020.

The Plan should be developed by “back-casting” from sustainability principles to decide relevant areas and cutting-edge targets. This would provide a basis for greater integration between the environmental and social areas of concern, and related programmes. In line with this strategy, the Clean Factory concept could transition towards a Sustainable Factory.

This Sustainability Plan should be used as the overall guiding document to inform growth strategies for the company as a whole, and for underpinning new engagement strategies with key stakeholders. We suggest that Panasonic might like to convene a high-level Advisory Group of external stakeholders to work with them in preparing this plan.

Elsewhere, it is very encouraging to see the efforts being made to achieve employee skills and awareness in sustainable development, through regular training programmes. The introduction in April 2006 of a company-wide, in-house skills evaluation programme, a pioneering approach for companies in Japan, is particularly commendable.

#### **Promote sustainable development in China**

Economic development in China to raise standards of living needs to happen within the constraints of a sustainable society. This is a massive challenge, and one for which all societal stakeholders active in China need to take direct responsibility.

There are two areas where Panasonic could go further: the first is in auditing suppliers' working conditions (building on existing internal audits), and the second is in supporting China's drive to become far more efficient in its use of energy, in reducing greenhouse gas emissions, and in developing far more renewable energy. Given the low base from which China is starting in these areas, there are likely to be more opportunities for Panasonic to achieve dramatic improvements in all these areas in China than may be available to them in Japan.

**Move from “greening” towards sustainable products**  
Sustainable products and services that meet real human

needs are crucial in a sustainable society. We need a major and more rapid shift in society towards the sustainable use of materials and resources on every front.

This is an area where Panasonic already has a good track record. In 2006, it achieved a Green Product development rate of 96%, exceeding its target of 74%. The number of Superior Green Products also increased, and Panasonic was able to achieve one certified Super Green Product.

In our discussions with the company, we have questioned whether the criteria for achieving these different standards (Green Products, Superior Green Products and Super Green Products) are still sufficiently rigorous and demanding, given the speed with which this agenda is now moving. We would like to see the criteria comprehensively reviewed, preferably with an external overview, and, where necessary, strengthened.

We also feel that Panasonic's astonishing technological skills should be brought to bear on developing more breakthrough, step-change solutions to society's needs. Its household fuel cell is one example of this approach, but there is an urgent requirement for equally dramatic improvements in many other products and services to enable people to live more responsibly in a carbon-constrained world.

#### Engaging with society

The fundamental change in society we seek can only be achieved by engaging entire stakeholder chains of suppliers, customers, competitors, and government bodies working together. Communication and engagement with society therefore plays a critical role for Panasonic.

Though we much admire the comprehensive approach to presenting technical data, the sustainability

report and the environmental report are still difficult to read, with high levels of complexity and low levels of accessibility. We have therefore recommended that Panasonic define key target groups and develop communications in relation to each group. It is also important to keep in mind different cultural considerations when reporting worldwide.

As before, we would also like to see more discussion about the implications of some of the changes under way in the company, as well as management challenges and difficulties encountered.

Beyond communications, there is also the whole area of wider engagement with stakeholders. The Eco & Ud HOUSE in Tokyo is a really good example of providing an opportunity to experience an eco lifestyle at first hand. To develop this approach in order to reach more people, Panasonic could also consider an internet-based solution. The company's "Love the Earth Citizen's Campaign" is another good example of wider engagement with its employees. Next steps in this area could lead to develop the concept to deal with social sustainability, to connect more closely to Panasonic's core business, and to influence consumer lifestyle perceptions in relation to the products that Panasonic provides to society.

Jonathon Porritt

Chairman of The Natural Step UK  
Chairman of the UK Sustainable  
Development Commission



Lena Johansson

Senior Advisor, Sweden Branch,  
The Natural Step International



#### The Natural Step



The Natural Step acts as a catalyst for society, bringing about systemic change by giving decision-makers a common, science-based understanding of sustainability, and a framework to make decisions in a genuinely sustainable way. Real leadership requires a global systems perspective, and an openness to cross-sector cooperation based on a shared vision of a sustainable human society.



In London (February 2007)

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