

STATEMENT ON CORPORATE GOVERNANCE

COMMITMENT FROM THE BOARD

The Board of Directors of the Company (“the Board”) remains committed in maintaining the highest standards of corporate governance within the Company and adhering to the principles and best practices of corporate governance, through observing and practising the core values of the Malaysian Code on Corporate Governance, Bursa Malaysia’s Corporate Governance 2012 (the “Code”), Panasonic Code of Conduct and Panasonic Basic Business Philosophy. The commitment from the top paves the way for the Management and all employees to ensure the Company’s businesses and affairs are effectively managed in the best interest of all stakeholders.

The Board is pleased to present the following reports on the application of the principles as set out in the Code and the extent to which the Group has complied with the principles and recommendation of the Code during the financial year ended 31 March 2016.

THE BOARD STRUCTURE, DUTIES AND EFFECTIVENESS

Board Size, Leadership and Competencies

The current Board size of 11 members consists of 4 Independent Non-Executive Directors (including the Chairman), a Managing Director, 4 Executive Directors and 2 Non-Independent Non-Executive Directors. The composition of the Board meets the criteria on one-third independent directorship as set out in the Main Market Listing Requirements and fairly reflects the investment by minority shareholders through Independent Directors.

The Board leads the Company within a framework of prudent and effective controls. The Board comprises of members from various professions with individual personalised quality, expertise, skills and relevant market and industry knowledge and ensures at all times that necessary financial and human resources are in place for the Company to meet its strategic objectives.

The Independent Non-Executive Directors act independently from Management and do not participate in the Company’s business dealings to ensure that they handle any conflict of interest situation and all proceedings of the Board effectively through a system of independent checks and balances. There is a balance of Executive Directors and Non-Executive Directors so that no individual or small group of individuals can dominate the Board’s decision making.

The Independent Non-Executive Directors, Tan Sri Datuk Asmat bin Kamaludin, and Razman Hafidz bin Abu Zarim have each a cumulative term of more than nine (9) years. Notwithstanding the recommendation of the Code to limit the tenure of the Independent Directors, the Board has adopted the policy that the tenure of all Directors irrespective of them being executive or non-executive will not be fixed. The Board views that the annual assessment of the qualification of the Directors to remain on the Board to be sufficient.

For the Independent Directors of the Company, the Board views that they have the vast experience in a diverse range of business to provide constructive opinion and exercise independent judgement. As the Company is a Panasonic Corporation controlled subsidiary, the Company’s Executive Directors are rotated among the companies in the Panasonic Corporation in enhancement of their career development. As there are changes in the members of the Executive Board, the Company views that there should be stability in the members of the Independent Directors to ensure that the Company’s culture, conduct and philosophy is maintained or enhanced by the new executive members.

The Company does not have a policy on diversity of gender, ethnicity and age. The appointment of Tan Sri Hasmah binti Abdullah and Ms Siew Pui Ling as Directors reflects that the Board recognises the value of lady members of the Board. The age of the Directors range from 48 to 72 as the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board.

The profile of each Director is summarised on pages 14 to 19 of the Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Board Duties and Responsibilities

The Board owes the fiduciary duties to the Company and, while discharging its duties and responsibilities, shall individually and collectively exercise reasonable care, skill and diligence at all times.

The Board adopts strategic and business plans aligned to ensure obligations to all stakeholders are met. The Board fulfils its oversight responsibility for financial and operational results, legal-ethical compliance and risk management. The Board is also responsible for reviewing the adequacy and integrity of the Company's internal controls systems and management information systems and ensuring that investor relations and succession planning programme are implemented.

There is a clear separation of duties and responsibilities of the Chairman and the Managing Director to ensure a balance of power and authority. The difference in the roles of Chairman and Managing Director provides a clear segregation of responsibility and accountability.

The Chairman of the Board, Tan Sri Datuk Asmat bin Kamaludin, is the Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by shareholders and other stakeholders.

The Board will review and ensure that any appointment, resignation/termination of Directors, Company Secretary and Auditors are duly executed and documented.

In furtherance of their duties, the Directors have full and unrestricted access to any information pertaining to the Company, the advice and services of the Company Secretary. Independent professional or other advice is also made available to Directors at the Company's expense and in accordance with decision of the Board as a whole should such advice is required.

Conduct of Meetings

The Board met four (4) times during the financial year under review to approve, amongst others, the quarterly and annual financial results, business strategies and business plans, to review business performance of the Company and to ensure that the proper internal control systems are in place. Board and Board Committees meeting papers accompanying notes and explanations for agenda items were sent to the Directors at least 7 days before the meeting. Time is allocated for Directors to raise other matters not covered by the formal agenda.

The summary of attendance of the Directors at the Board Meetings held during the financial year ended 31 March 2016 was as follows:

Name of Director	Meeting Attendance	% of Attendance
Tan Sri Datuk Asmat bin Kamaludin	4/4	100
Akira Nishimura	4/4	100
Razman Hafidz bin Abu Zarim	4/4	100
Datuk Supperamaniam a/l Manickam	4/4	100
Takayuki Tadano	4/4	100
Tan Sri Hasmah Binti Abdullah	4/4	100
Siew Pui Ling	4/4	100
Takao Uchiyama	4/4	100
Cheng Chee Chung	4/4	100
Toru Okano (appointed on 1 January 2016)	1/1	100
Koji Takatori (appointed on 1 April 2016)	-	-

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Conduct of Meetings (Cont'd)

All proceedings, deliberations and conclusions of the Board Meetings are clearly recorded in the minutes of meetings, confirmed and signed as correct record by the Chairman of the Meeting.

The Board also exercises control on routine matters that require the Board's approval through the circulation of Directors' Resolutions in Writing as allowed under the Company's Articles of Association.

Minutes of each Board and Board Committees Meeting are circulated to Chairman of Meeting for perusal prior to confirmation of the minutes at the following meetings.

Directors' Continuing Education

All Directors including the newly appointed Directors during the financial year end 2016 have completed the Mandatory Accreditation Programme. Newly appointed Directors have also undergone a formal orientation and education programme including factory visits guided by other Directors and senior management.

During the financial year, the following Directors have also attended the following additional trainings, conferences, seminars and briefings relevant to their functional duties:

No.	Continuing Education Programme Attended	Date	Duration
1	Tan Sri Datuk Asmat bin Kamaludin		
	- Predicting Financial Crime – Detection Prevention and Remediation	1 April 2015	1 day
	- Seminar Kelestarian Integriti – Institute Integriti Malaysia	14 April 2015	1 day
	- Light and Shadow in the Boardroom: Reflections on Board Evaluation and Development – PNB	12 May 2015	1 day
	- Money Laundering and its impact on Investment Companies – PNB	1 June 2015	1 day
	- SC Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries	1 June 2015	1 day
	- CMDP (Capital Market Director Programme - Module 2 - PNB	5 August 2015	1 day
	- CMDP Module 1 – Directors as Gatekeepers of Market Participants	10 August 2015	1 day
	- CMDP Module 3 – Risk Oversight and Compliance: Action Plan for Board of Directors	22 October 2015	1 day
	- Customised Advocacy - Bursar	30 October 2015	1 day
	- CMDP Module 4 – Current and Emerging Regulatory Issues in the Capital Market	4 December 2015	1 day
	- Briefing Session on the TPPA – organized by MITI with PERODUA	21 January 2016	1 day
	- Briefing Session on the TPPA – organized by MITI with UMW Holdings Berhad	7 March 2016	1 day
	- Learning from Leaders Session – with Group Chairman – UMW	26 April 2016	1 day
	- White Room Session – PM's Office	10 May 2016	1 day

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No.	Continuing Education Programme Attended	Date	Duration
2	Razman Hafidz bin Abu Zarim		
	- Women's Representation on Corporate Boards	8 May 2015	½ day
	- Sustainability Symposium	8 October 2015	1 day
	- Forbes Global CEO Conference	12-14 October 2015	2 ½ days
	- Global Marketer Conference	17 March 2016	1 day
	- Age of Anxiety Briefing	18 March 2016	½ day
3	Datuk Supperamaniam a/l Manickam		
	- Update on Malaysian and Regional Economies, Goods and Services Tax - Post Implementation Issues, An Overview of the Price Control & Anti-Profitteering Act and Latest Developments in Transfer Pricing	22 September 2015	1 day
	- CG Breakfast Series with Directors - Future of Auditor Reporting - The Game Changer for Boradroom	2 November 2015	1 day
	- Directors' Responsibility for Financial Statement Integrity – Legal Expectations on Corporate Disclosures	13 April 2016	1 day
4	Tan Sri Hasmah Binti Abdullah		
	- Competition Law and Corporate Governance: Can They Co Exist?	24 February 2015	1 day
	- PNB Investment Series: Predicting Financial Crime – Detection, Prevention & Remediation	1 April 2015	1 day
	- Remuneration Reward Practices Seminar 2015	8 April 2015	1 day
	- YTI Public Lecture Series 2015 – Light and Shadow in the Boardroom: Reflections on Board Evaluation and Development	12 May 2015	1 day
	- In Times of Disaster: Fostering Public – Private Partnership	14 May 2015	1 day
	- Risk Management and Internal Control: Workshop for Audit Committee Members	8 June 2015	1 day
	- Goods and Services Tax Forum: Rising Challenges to GST Implementation	10 June 2015	1 day
	- FMM Forum on Developing & Strengthening Women Entrepreneurship	11 August 2015	1 day
	- Bursa Malaysia CG Breakfast Series with Directors- “How to Maximise Internal Audit”	9 September 2015	1 day
	- Corporate Directors Advance Programme (CDAP)	29 – 30 September 2015	2 days
	- Customised Advocacy Session with Bursa Securities	20 October 2015	1 day
	- Malaysia's War on Corruption Symposium 2015	11 – 12 November 2015	2 days

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No.	Continuing Education Programme Attended	Date	Duration
5	Cheng Chee Chung <ul style="list-style-type: none"> - Mandatory Accreditation Programme - AV2016 Product Meeting - APAC NSC MD & Country Region Head Meeting - Panasonic Group Strategic Meeting - Asia Day - Panashop Meeting - 2016 Policy Announcement Meeting 	6 & 7 May 2015 27 & 28 July 2015 28 August 2015 3 December 2015 20 January 2016 31 March 2016	1 ½ days 2 days 1 day 1 day 1 day ½ day
6	Toru Okano <ul style="list-style-type: none"> - Mandatory Accreditation Programme 	6 & 7 April 2016	1 ½ days
7	Koji Takatori <ul style="list-style-type: none"> - Mandatory Accreditation Programme 	6 & 7 May 2016	1 ½ days
8	Akira Nishimura <ul style="list-style-type: none"> - FY2015 Southeast Asia & Oceania Policy Announcement Meeting - FY2015 1st Manufacturing MD Meeting - FY2015 2nd Manufacturing MD Meeting - Southeast Asia Customer Value Enhancement Meeting - 7th Global Manufacturing Strategy Meeting - 2016 Policy Announcement Meeting 	20 April 2015 29 May 2015 28 January 2016 14 September 2015 16 October 2015 31 March 2016	½ day ½ day ½ day 1 day 1 day ½ day
9	Takayuki Tadano <ul style="list-style-type: none"> - Global Economy and Finance Future, TPP Agreement Influence to Malaysia Economy - Malaysia Riggitt Exchange Condition & New Budget, Tax Regulation and Transfer Pricing from GST Point of View 	27 May 2016 2 November 2015	1 day 1 day

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BOARD COMMITTEES

The Board has established several Board Committees whose compositions and terms of reference are drawn up in accordance with the best practices prescribed by the Malaysian Code on Corporate Governance. The functions as well as authority delegated to the Board Committees are clearly defined in their terms of reference.

The Board Committees of the Company consist of the Audit Committee, Nomination Committee and Remuneration Committee. The Chairman of the respective Board Committees reports the outcome of the Board Committee Meetings to the Board, and if required, further deliberations are made at Board level.

Audit Committee

The Audit Committee provides independent review of the Company's financial results and internal control system to ensure compliance with the statutory and accounting policy disclosures requirements and to maintain a sound system of internal control. A full Audit Committee Report enumerating its membership, terms of reference and summary of activities is set out on pages 31 to 34 of the Annual Report.

On a formal assessment on the performance and effectiveness of the Audit Committee and its members, the Board with the exception of the Directors who are also Audit Committee are generally satisfied that the size of the Audit Committee is large enough to perform the duties as defined and its judgment is not impaired as they are sufficiently independent from management. The Chairman of the Audit Committee has the strength, personality and tact dealing with Directors, Internal and External Auditors. In addition, the Chairman of the Audit Committee is experienced and effective in conducting meetings. The Audit Committee members have also fulfilled the requirements in terms of roles and responsibilities, in relations with External Auditors and Internal Auditors.

Nomination Committee

The Nomination Committee membership is comprise entirely of Independent Non-Executive Directors, as follows:

No.	Name	Designation
1.	Datuk Supperamaniam a/l Manickam (appointed as Chairman on 30.05.2016) (Chairman)	Independent Non-Executive Director
2.	Razman Hafidz bin Abu Zarim (Member)	Independent Non-Executive Director
3.	Tan Sri Hasmah binti Abdullah (Member)	Independent Non-Executive Director

The Nomination Committee is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors. All the assessments and evaluations carried out during the year was properly documented and minuted by the Company Secretary.

Further details on the duties and activities of the Nomination Committee is set out in the Nomination Committee Report.

Re-election and Re-appointment

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to retirement and re-election by shareholders at the first opportunity after their appointment. It also provides that at least one-third of the remaining Directors including the Managing Director, are subject to retirement by rotation at each Annual General Meeting ("AGM"). All Directors shall retire from office at least once in every 3 years and shall be eligible for re-election.

Each year, the Nomination Committee assesses the experience, competence, integrity and capability of each Director including the Director over 70 years old who wishes to continue his office before making recommendation to the Board.

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Remuneration Committee

The Remuneration Committee comprises of the following members, the majority of whom are Independent Directors:

No.	Name	Designation
1.	Tan Sri Hasmah Binti Abdullah (appointed as Chairman on 30.05.2016) (Chairman)	Independent Non-Executive Director
2.	Takayuki Tadano (Member)	Executive Director
3.	Razman Hafidz bin Abu Zarim (Member)	Independent Non-Executive Director
4.	Datuk Supperamaniam a/l Manickam (Member)	Independent Non-Executive Director

At a meeting held on 26 May 2015 the Remuneration Committee made a recommendation to the Board for payment of Directors' fees not exceeding RM341,825 in aggregate for the financial year ended 31 March 2016 to the Independent Non-Executive Directors. It was approved by the Shareholders at the AGM.

The remuneration package of the Non-Executive Directors including the Non-Executive Chairman was determined by linking their remuneration to the time commitment of each Director and whether the Directors take on additional responsibilities such as chairmanship or membership of the Board committees or Senior Independent Non-Executive Director and is a matter of the Board as a whole. The Non-Executive Directors who have an interest do not participate in discussions on their remuneration.

The Remuneration Committee members were also briefed on the basis of determination of remuneration package applied to the Executive Directors of the Company, which comprised of basic salary, annual adjustment, performance incentive, bonus and benefit-in-kind. The Company takes cognisance that the compensation packages of the Executive Directors appointed by Panasonic Corporation are subject to the global compensation practices of the worldwide Panasonic Group of Companies.

Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year ended 31 March 2016 are as follows:

Descriptions	Executive Director RM	Non-Executive Director RM	Total RM
Fees	–	341,825.00	341,825.00
Meeting allowance	–	31,800.00	31,800.00
Salary and other remuneration	2,916,761.37	–	2,916,761.37
Benefits-in-kind (BIK)	186,867.26	–	186,867.26
Total	3,103,628.63	373,625.00	3,477,253.63
Total (excluding BIK)	2,916,761.37	373,625.00	3,290,386.37

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The remuneration of the Directors for the financial year ended 31 March 2016 within the following bands are as follows:

Range of Remuneration	Executive Director	Non-Executive Director	Total
RM0 to 50,000	0	4	4
RM50,001 to RM100,000	0	3	3
RM100,001 to RM150,000	1	1	2
RM450,001 to RM500,000	1	0	1
RM700,001 to RM750,000	1	0	1
RM850,001 to RM900,000	1	0	1
RM900,001 to RM950,000	1	0	1

The Company, Directors and officers have jointly contributed to a Directors and Officers Elite Insurance Policy since 2002. However, the said insurance policy does not indemnify a Director or officer for any offence or conviction involving negligence, fraud, dishonesty or breach of duty or trust.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The communication of clear, relevant and comprehensive information which is timely and readily accessible by all stakeholders is important to shareholders and investors for informed investment decision making. The means of communication with shareholders and investors are as follows:

Investor Relations

In line with the Main Market Listing Requirements, effort was made to improve the investor relations via the enhancement of the Company's website to allow the direct and easy access by the shareholders, investors and members of public to the Company's announcements, quarterly results, Annual Reports, Circulars to Shareholders etc released through Bursa Link and corporate videos presented to the shareholders during the AGM.

The Chairman, Executive Director and/or Management held meetings with major shareholders, fund managers and investment analysts, at their request, and Minority Shareholders Watchdog Group to enable them to gain a better understanding of the Company's business and operational activities to make informed investment decisions. Nevertheless, information is disseminated in strict adherence to the corporate disclosure requirements of Bursa Malaysia Securities Berhad.

Annual General Meeting

An active communication session was held with individual shareholders, proxies and corporate representatives who raised questions and concerns at the AGM. All resolutions put to the vote of the AGM were decided on a show of hands.

The Chairman and Managing Director are delegated with the authority to speak on behalf of the Company to members of the Press. A press statement was released to the Media after the conclusion of the AGM.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board as a whole is responsible for the accuracy and integrity of the Company's financial reporting. The Board, with assistance of the Audit Committee which provide a more specialised oversight of the financial reporting process, scrutinises all quarterly results and annual statutory financial statements prior to official release to regulatory authorities and shareholders.

Directors' Responsibility Statement

The Board is required by the Companies Act, 1965 to ensure that the financial statements of the Company and its associated company ("the Combined Entity") represent a true and fair view of the state of affairs of the Combined Entity and that they are prepared in accordance with the applicable approved accounting standards in Malaysia, by applying appropriate accounting policies consistently and making prudent and reasonable judgments and estimates. Independent opinions and reports by External Auditors have added credibility to financial statements released by the Company.

The Board has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Combined Entity and to prevent and detect fraud and other irregularities.

Internal Control

The Board, with the assistance of the Audit Committee, continues to review its internal control processes and procedures to ensure as far as possible, that it maintains adequate levels of protection over its assets and the shareholders' investments. The Statement on Risk Management and Internal Control is set out on pages 35 to 37 of the Annual Report.

Relationship with Auditors

The Board has established a transparent relationship with the Company's External Auditors and Internal Auditors via the Audit Committee who has explicit authority to communicate directly with them.

The External Auditors are working closely with the Internal Auditors and Tax Consultants, without compromising their independence. Their liaison with the Internal Auditors would be in accordance with International Standards on Auditing (ISA) No. 610: "Considering the Work of Internal Auditing", with the main objective of avoiding duplication of efforts to maximise audit effectiveness and efficiency. The External Auditors reviews Internal Audit reports and discuss findings with Internal Auditors where necessary.

In accordance with the principles set out in ISA No. 260 "Communicating of Audit Matters with Those Charged with Governance", the External Auditors have brought to the Board's attention through the Audit Committee, all the significant accounting, auditing, taxation, internal accounting systems & process control and other related matters that arise from the audit of the financial statements of the Combined Entity. Audit Committee Members meet with the External Auditors twice a year without presence of management to discuss on key concerns and obtain feedback relating to the Company's affairs.

This Statement is made in accordance with the resolution of the Board of Directors dated 30 May 2016.