

PANASONIC Corp  
Form F-4  
April 28, 2015  
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As filed with the Securities and Exchange Commission on April 28, 2015.

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM F-4**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**PANASONIC KABUSHIKI KAISHA**

(Exact name of Registrant as specified in its charter)

**PANASONIC CORPORATION**

(Translation of Registrant's name into English)

**Japan**  
(State or other jurisdiction of  
incorporation or organization)

**3651**  
(Primary Standard Industrial  
Classification Code Number)

**Not Applicable**  
(I.R.S. Employer  
Identification Number)

1006, Oaza Kadoma,  
Kadoma City, Osaka 571-8501

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Japan

+81-6-6908-1121

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Panasonic Corporation of North America**

**Two Riverfront Plaza, 11th Floor**

**Newark, NJ 07102-5490, U.S.A.**

**201-348-7000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

**Izumi Akai, Esq.**

**Sullivan & Cromwell LLP**

**Otemachi First Square**

**5-1, Otemachi 1-chome**

**Chiyoda-ku, Tokyo 100-0004**

**Japan**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and the consummation of the Share Exchange described herein.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) " \_\_\_\_\_

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) " \_\_\_\_\_

## CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Shares of Common Stock of Panasonic	1,887,863 (1)	Not applicable	\$25,594,907 (2)	\$2,975 (3)

- (1) Represents the maximum number of shares of common stock of Panasonic expected to be issued to U.S. holders of Panasonic Information Systems Co., Ltd.'s common stock in the share exchange, or the Share Exchange, described herein pursuant to this registration statement.
- (2) Computed solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act. The proposed maximum aggregate offering price has been computed pursuant to Rule 457(c) and Rule 457(f)(1) under the Securities Act, based on the average of the high and low prices of Panasonic Information Systems Co., Ltd.'s common stock on the Tokyo Stock Exchange as of April 21, 2015 (converted into dollars based on ¥118.90 = U.S.\$1.00, which is the exchange rate for the prior day as reported by the Bank of Japan).
- (3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$116.20 per \$1,000,000 of the proposed maximum aggregate offering price.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete. Panasonic Corporation may complete or amend this preliminary prospectus without notice. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Preliminary Prospectus**

**Subject to Completion Dated April 28, 2015**

## **Panasonic Corporation**

### **Exchange for Shares of Common Stock of Panasonic Information Systems Co., Ltd.**

The boards of directors of Panasonic Corporation, or Panasonic, and Panasonic Information Systems Co., Ltd., or Panasonic IS, have agreed to a share exchange, or the Share Exchange, between the two companies under the Companies Act of Japan, or the Companies Act. Panasonic and Panasonic IS have entered into a share exchange agreement, or the Share Exchange Agreement, that sets forth the terms of the Share Exchange. Pursuant to the Share Exchange, each shareholder of Panasonic IS will receive 2.5 shares of Panasonic's common stock for each share of Panasonic IS's common stock that such shareholder holds. The terms of the Share Exchange (along with certain related matters) require approval by the shareholders of Panasonic IS at Panasonic IS's annual general meeting of shareholders expected to be held on June 19, 2015.

Based on the number of shares of Panasonic IS's common stock issued as of March 31, 2015, Panasonic expects to dispose of 9,671,070 own shares of its common stock in connection with the Share Exchange. Approximately 19.5% of those shares will be offered to shareholders of Panasonic IS resident in the United States.

This document has been prepared for the shareholders of Panasonic IS resident in the United States to provide detailed information in connection with the Share Exchange.

The date, time and place of the shareholders' meeting of Panasonic IS is expected to be Friday, June 19, 2015, at 10:00 a.m. (Japan Time), at Hotel Hankyu International at 19-19, Chayamachi, Kita-ku, Osaka, Japan.

To attend and vote at the shareholders' meeting of Panasonic IS, or to vote electronically, shareholders of Panasonic IS must follow the procedures outlined in the convocation notice and the mail-in-ballot material which Panasonic IS will send them.

The Share Exchange cannot be completed unless it is approved at the scheduled shareholders' meeting of Panasonic IS and certain other conditions are satisfied. The additional conditions and other terms of the Share Exchange are more fully described in this prospectus. For a discussion of these conditions, see "The Share Exchange."

This document provides you with detailed information about the Share Exchange. It also provides you with important information about the shares of common stock of Panasonic to be transferred to Panasonic IS shareholders in connection with the Share Exchange. You are encouraged to read this document in its entirety.

Panasonic's shares are traded in yen on the Tokyo Stock Exchange and the Nagoya Stock Exchange. On April 27, 2015, the last reported sale price of Panasonic shares on the Tokyo Stock Exchange was ¥1,698.5 per share.

**You may have dissenters' rights in connection with the transactions under Japanese law. See page 36 for a complete discussion of your dissenters' rights, if any.**

**You should consider carefully the risk factors beginning on page 11 of this prospectus.**

**Panasonic IS is not asking for a proxy and you are not required to send a proxy.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2015.

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**References to Additional Information**

This prospectus is part of a registration statement on Form F-4, which includes additional important business and financial information about Panasonic and Panasonic IS that is not included in or delivered with this prospectus. This information is available to you without charge upon written or oral request. If you would like to receive any of the additional information, please contact:

Yukie Takakuwa  
General Manager  
Disclosure & Investor Relations Office  
Panasonic Corporation  
1006, Oaza Kadoma  
Kadoma City, Osaka 571-8501  
Japan  
Telephone: 81-6-6908-1121

Tatsuo Yoshikawa  
Director  
Financial Management Department  
Panasonic Information Systems Co., Ltd.  
19-19, Chayamachi,  
Kita-ku, Osaka 530-0013  
Japan  
Telephone: 81-6-6906-2801

**IN ORDER TO OBTAIN TIMELY DELIVERY, YOU SHOULD REQUEST THE INFORMATION NO LATER THAN JUNE 12, 2015, WHICH IS FIVE BUSINESS DAYS BEFORE YOU MUST MAKE A DECISION REGARDING THE SHARE EXCHANGE.**

For additional information, see [Where You Can Find More Information](#).

*As used in this prospectus, references to [Panasonic](#) are to Panasonic Corporation and references to [Panasonic IS](#) are to Panasonic Information Systems Co., Ltd., in each case on a consolidated basis except where the context otherwise requires. As used in this prospectus, references to the [Share Exchange](#) are to the proposed share exchange between Panasonic and Panasonic IS.*

*As used in this prospectus, except where the context otherwise requires, references to the [shareholders meeting](#) of Panasonic IS or to the [meeting](#) of Panasonic IS shareholders are to the annual general meeting of shareholders of Panasonic IS that is scheduled to take place on June 19, 2015, at which Panasonic IS's shareholders will vote on the terms of the Share Exchange and certain related matters. See [General Meeting of Panasonic IS Shareholders](#).*

*As used in this prospectus, [dollar](#) or \$ means the lawful currency of the United States of America, and [yen](#) or ¥ means the lawful currency of Japan.*

*As used in this prospectus, [U.S. GAAP](#) means accounting principles generally accepted in the United States, and [Japanese GAAP](#) means accounting principles generally accepted in Japan.*

*In tables appearing in this prospectus, figures may not add up to totals due to rounding.*

The year ended March 31, 2014 or [fiscal 2014](#) refers to our fiscal year ended March 31, 2014. Other fiscal years are referred to in a corresponding manner.

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**Forward-Looking Statements**

This document includes forward-looking statements about Panasonic. To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of Panasonic in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Panasonic's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission, or the SEC, pursuant to the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Financial Instrument and Exchange Act of Japan, or the FIEA, as well as other publicly disclosed documents.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the Americas, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; the possibility that excessive currency rate fluctuations of the dollar, the euro, the Chinese yuan and other currencies against the yen may adversely affect the costs and prices of Panasonic's products and services and certain other transactions that are denominated in these foreign currencies; the possibility of Panasonic incurring additional costs of raising funds, because of changes in the fund raising environment; the possibility of Panasonic not being able to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of Panasonic not achieving the results expected from alliances or mergers and acquisitions; the possibility of Panasonic not being able to achieve its business objectives through joint ventures and other collaborative agreements with other companies, including due to the pressure of price reduction exceeding that which can be achieved by Panasonic's efforts and a decrease in demand for products from business partners which Panasonic highly depends on in BtoB (business-to-business) business areas; the possibility of Panasonic not being able to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of Panasonic; the possibility that Panasonic may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which Panasonic has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, deferred tax assets and uncertain tax positions; future changes or revisions to accounting policies or accounting rules; natural disasters, including earthquakes, the prevalence of infectious diseases throughout the world, and other natural disasters and accidents or unpredictable events which may disrupt Panasonic's supply chain as well as other events that may negatively impact business activities of Panasonic. The risks, uncertainties and other factors listed above are not exclusive and Panasonic's results, performance, achievements or financial position could be affected by other factors identified in the risks under Risk Factors in this document and in past and future filings and reports filed with the SEC and the FIEA as well as other publicly disclosed documents.

**Notice to New Hampshire Residents**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT**



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**NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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**Questions and Answers about the Share Exchange**

**Q. Why is Panasonic proposing the Share Exchange?**

A. Panasonic plans to conduct the Share Exchange to acquire all of the Panasonic IS shares not already owned by Panasonic in order to turn Panasonic IS into a wholly-owned subsidiary. In April 2004, Panasonic IS's parent company, Matsushita Electric Works, Ltd., or Matsushita Electric Works, became a subsidiary of Matsushita Electric Industrial Co., Ltd. (currently Panasonic), and as a result Panasonic IS became a subsidiary of Panasonic, as Matsushita Electric Works had a 63.69% equity interest in Panasonic IS at the time of the acquisition. As of the date of this prospectus, Panasonic holds 63.69% of the voting rights of Panasonic IS.

Both Panasonic and Panasonic IS came to mutually recognize and agree that it would be highly beneficial for them to assign the business of Corporate Information Systems Company, or CISC, an internal divisional company of Panasonic, from Panasonic to Panasonic IS so that they can more proactively utilize the management resources of Panasonic that will serve as a basis for the future growth and development of Panasonic IS, thereby contributing to an increase in corporate value of the Panasonic group. It, therefore, is essential and requisite to make Panasonic IS a wholly-owned subsidiary by way of the Share Exchange in order to enable Panasonic IS to make prompt and flexible business decisions aimed at implementing these strategic measures.

**Q. What will Panasonic IS shareholders receive in the Share Exchange?**

A. Panasonic IS shareholders, as of the moment immediately preceding the Share Exchange, will receive 2.5 shares of Panasonic's common stock for each share of Panasonic IS's common stock which they hold. Holders of Panasonic IS common stock who have duly exercised their dissenters' appraisal rights will not receive shares of Panasonic common stock for shares of Panasonic IS common stock.

**Q. Does the board of directors of Panasonic IS recommend the Share Exchange?**

A. Yes. The board of directors of Panasonic IS recommends that shareholders vote for the Share Exchange.

**Q. How will fractions of a share be treated in the Share Exchange?**

A. In accordance with the Companies Act, Panasonic IS shareholders will not receive any fractions of a share of Panasonic's common stock in the Share Exchange. Instead, the shares representing the aggregate of all such fractions (in the case where such aggregated shares still include any fraction less than one share, such fraction shall be rounded off) will be sold in the Japanese market or sold to Panasonic and the net cash proceeds from the sale will be distributed to the former holders of Panasonic IS shares on a proportionate basis in accordance with their respective fractions.

**Q. How do the legal rights of Panasonic shares differ from those of Panasonic IS shares?**

A. There are no material differences between or among the rights of shareholders of Panasonic's common stock and Panasonic IS's common stock from a legal perspective.

**Q. When is the Share Exchange expected to be completed?**

A. The Share Exchange is expected to become effective on August 1, 2015.

**Q. How will trading in Panasonic IS shares be affected in connection with the completion of the Share Exchange?**

A. Panasonic IS expects that its shares will be delisted from the Tokyo Stock Exchange about three trading days before August 1, 2015.

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**Q. Will Panasonic IS shareholders receive year-end dividends on their Panasonic IS common stock for the year ended March 31, 2015?**

A. Panasonic IS expects to pay dividends, in June 2015, to holders of record of its common stock as of March 31, 2015.

**Q. Can the number of shares of Panasonic s common stock for which the shares of Panasonic IS s common stock are exchanged change between now and the time the transaction is completed?**

A. No. The exchange ratio is fixed, and it will not change even if the trading price of Panasonic IS s common stock changes between now and the time the Share Exchange is completed. See Risk Factors beginning on page 11.

**Q. What is the record date for voting at the shareholders meeting?**

A. Holders of Panasonic IS shares as of March 31, 2015 will be eligible to vote at the annual general meeting of shareholders expected to be held on June 19, 2015.

**Q. How do I vote at the shareholders meeting?**

A. You may exercise voting rights by electronic means, mail-in-ballot or attending the meeting in person or through attorney-in-fact. Panasonic IS will distribute materials to shareholders that will enable them to exercise their voting rights. Completed mail-in-ballots must be received at least one day before the shareholders meeting.

**Q. May I change my vote?**

A. Yes. If you want to change your vote expressed by mail-in-ballot, you must attend the meeting personally or through another shareholder you appoint as your attorney-in-fact, or send another mail-in-ballot dated a later date than the previous mail-in-ballot if Panasonic IS redistributes mail-in-ballots. By attending the meeting in person you automatically revoke your mail-in-ballot.

If you wish to change a vote previously submitted via the Internet, you must either attend the shareholders meeting personally or through another shareholder having voting rights whom you appoint as your attorney-in-fact, or by resubmitting your vote via the Internet. By attending the meeting in person or having another shareholder entitled to vote your shares attend the meeting on your behalf, or by resubmitting your vote via the Internet, you will automatically revoke your vote previously submitted via the Internet. If you submit more than one vote via the Internet, the last vote submitted will be counted.

**Q. How will shares represented at the shareholders meeting by mail-in-ballots be treated?**

A. The mail-in-ballots used for the shareholders meeting of Panasonic IS will describe the proposals to be voted on by shareholders at the meeting, including approval of the Share Exchange. The mail-in-ballots will allow shareholders to indicate a for or against vote with respect to each proposal. In accordance with Japanese law and practice, Panasonic IS intends to count toward the quorum requirements for its shareholders meeting the shares represented by mail-in-ballots that are returned without indicating a for or against vote for any of the proposals, and count these mail-in-ballots as having voted for the approval of the Share Exchange and other related proposals.

**Q. Do I have dissenters' rights?**

- A. Under the Companies Act, you are entitled to dissenters' rights of appraisal in connection with the Share Exchange if you comply with the procedures set forth in the Companies Act and share handling regulations of Panasonic IS. Any Panasonic IS shareholder (i) who notifies Panasonic IS prior to the general meeting of

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shareholders of his or her intention to oppose the Share Exchange, and who votes against approval of the Share Exchange at the general meeting, or (ii) who is not entitled to vote at such general meeting of shareholders, and complies with the other procedures set forth in the Companies Act and share handling regulations of Panasonic IS (a dissenting shareholder ) may demand that Panasonic IS purchase his or her shares of Panasonic IS's common stock at the fair value. The failure of a shareholder who is entitled to vote at such general meeting of shareholders to provide such notice prior to the general meeting or to vote against approval of the Share Exchange at the general meeting will in effect constitute a waiver of the shareholder's right to demand that Panasonic IS purchase his or her shares of common stock at the fair value.

**Q. What are the Japanese tax consequences of the Share Exchange?**

A. Based on certain assumptions and subject to certain limited exceptions, the Share Exchange is expected to be a tax-free transaction for Japanese tax purposes for holders of Panasonic IS's common stock who will be allotted shares of Panasonic's common stock. As such, non-resident holders of shares of Panasonic IS's common stock will generally not recognize any gains or losses for Japanese tax purposes at the time of the Share Exchange. See Taxation Japanese Tax Consequences Consequences of the Share Exchange for further discussion.

**Q. What are the U.S. federal income tax consequences of the Share Exchange to U.S. holders of Panasonic IS shares?**

A. Panasonic intends to take the position that the Share Exchange constitutes for U.S. federal income tax purposes a reorganization within the meaning of Section 368(a) of the Code. As a result, subject to certain exceptions, the exchange of shares of Panasonic IS's common stock for shares of Panasonic's common stock will be tax-free to U.S. Holders as defined in Taxation Material U.S. Federal Income Tax Consequences included elsewhere in this prospectus. For further discussion, see Taxation Material U.S. Federal Income Tax Consequences.

**Q. Who can I call with questions?**

A. If you have more questions about the Share Exchange, you should contact:  
Yukie Takakuwa

General Manager

Disclosure & Investor Relations Office

Panasonic Corporation

1006, Oaza Kadoma

Kadoma City, Osaka 571-8501

Japan

Telephone: 81-6-6908-1121

Tatsuo Yoshikawa

Director

Financial Management Department

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Panasonic Information Systems Co., Ltd.

19-19, Chayamachi,

Kita-ku, Osaka 530-0013

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Telephone: 81-6-6906-2801

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### **Summary**

*This summary highlights selected information from this document. It does not contain all the information that is important to you. You should read carefully the entire document to fully understand the Share Exchange.*

### **Companies**

Panasonic is one of the world's leading producers of electronics and electric products in a broad array of business areas. Based on its business division system organized under four Divisional Companies, Panasonic divides its businesses into five segments: Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, and Other. Appliances centers on the development, manufacture and sales of consumer electronics, air-conditioners, cold chain, devices and bicycle-related products. Eco Solutions centers on the development, manufacture and sales of lighting fixtures, electric lamps, wiring devices, solar photovoltaic systems, interior furnishing materials, water-related products, ventilation and air-conditioning equipment, and air purifiers, among other products. AVC Networks is comprised of a visual and imaging business, a mobility business, a communication business and a vertical solution business. Automotive & Industrial Systems centers on the development, manufacture and sales of automotive related products, industrial related devices and manufacturing related systems. Other consists of PanaHome Corporation and other businesses.

Panasonic IS is an information service business focusing on system services and system solutions. System services include system operations services at data centers, cloud services and network services. System solutions involve providing core system architecture solutions, IT infrastructure architecture solutions, commissioned system development, development and provision of package software, sales of computers, servers, and communications equipment, and network and facility construction. Panasonic IS has been providing IT support, such as the construction and operation of production management systems and an online order receiving system, to the Panasonic group for over 50 years, including during the period when Panasonic IS was a department of Matsushita Electric Works. In addition, Panasonic IS has provided total solutions for information systems, including planning, designing, developing, operating and maintaining information systems for customers both within and outside of the Panasonic group.

Panasonic's principal executive offices are located at 1006, Oaza Kadoma, Kadoma City, Osaka 571-8501, Japan, and its telephone number is 81-6-6908-1121. Panasonic IS's principal executive offices are located at 19-19, Chayamachi, Kita-ku, Osaka 530-0013, Japan, and its telephone number is 81-6-6906-2801.

### **The Share Exchange**

The boards of directors of Panasonic and Panasonic IS have agreed to the Share Exchange, to be approved by Panasonic IS's shareholders at a general meeting of shareholders. Under the Share Exchange, each shareholder of Panasonic IS registered as of the moment immediately preceding the Share Exchange will receive 2.5 shares of Panasonic's common stock for each share of Panasonic IS's common stock that such shareholder holds. If the Share Exchange Agreement is approved by the shareholders of Panasonic IS, and if the other conditions to completing the Share Exchange are satisfied, the Share Exchange is expected to become effective on August 1, 2015.

### **Notice of Meeting**

To seek shareholders' approval of the terms of the Share Exchange and certain other matters, the board of directors of Panasonic IS will submit a proposal to approve the Share Exchange Agreement to the annual general



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meeting of shareholders. Under Japanese law, the notice of a general meeting of shareholders must be dispatched two weeks in advance to all shareholders of record having voting rights. Panasonic IS will mail out its notices on such date as to be determined.

The affirmative vote of shareholders representing a two-thirds majority of the voting rights of the shareholders of Panasonic IS represented at the shareholders meeting is required to approve the Share Exchange. Each shareholder is entitled to one vote per one unit of shares, which is comprised of 100 shares, subject to the limitation by the Unit share system. The required quorum for vote on the Share Exchange at the shareholders meeting is a one-third majority of the voting rights of the shareholders of Panasonic IS who are entitled to exercise their voting rights.

The date, time and place of the meeting is expected to be Friday, June 19, 2015, at 10:00 a.m. (Japan Time), at Hotel Hankyu International at 19-19, Chayamachi, Kita-ku, Osaka, Japan.

Shareholders may attend the meeting in person or by proxy using a duly authorized power of attorney, or vote via the Internet or by mail-in-ballot.

At the meeting, you will be allowed to vote upon the terms of the Share Exchange approved by the boards of directors of Panasonic and Panasonic IS.

### **Reasons for the Share Exchange**

Through the Share Exchange, Panasonic plans to turn Panasonic IS into a wholly-owned subsidiary.

As part of its IT business, Panasonic has promoted IT innovation by making full use of its IT capabilities in connection with the management reform process conducted to date in order to focus all management resources on maximizing value for customers. In April 2000, Matsushita Electric Industrial Co., Ltd., or Matsushita Electric Industrial (currently Panasonic), established Corporate Information Systems Company, or CISC in the form of an internal divisional company by consolidating and organizing of existing internal system engineers within a single division. Since its establishment, CISC has not only handled construction and operation of systems, but also provided high-quality IT services within the Panasonic group, serving as a driving force for innovation in the Panasonic group's operational processes.

On the other hand, Panasonic IS, which was originally the information system department of Matsushita Electric Works, was established in 1999 as a wholly-owned subsidiary of Matsushita Electric Works, with the business purpose of integration, operation and management of systems related to information processing. Panasonic IS has provided IT support, such as the construction and operation of production management systems and an online order receiving system, to the Matsushita Electric Works group for over 50 years, including during the period when Panasonic IS was a department of Matsushita Electric Works. In addition, Panasonic IS has provided total solutions for information systems, including through planning, designing, developing, operating and maintaining information systems for customers both within and outside its group.

While Panasonic and Panasonic IS have thus far shared their management strategy as group companies to implement various measures for their business, they mutually recognize that, in order to meet the increasingly competitive market environment going forward, prompt decision making, flexible organizational restructuring and the reallocation of management resources will be required and that it will be essential for them to utilize IT, as a group, more effectively and efficiently.

Both CISC and Panasonic IS have performed key roles in connection with the IT functions of the Panasonic group by endeavoring to reinforce their collaborative relationships with business partners, both within and outside the Panasonic group, and improving their operational efficiency. However, the situation has been that two important IT service providers have co-existed within the Panasonic Group.

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In light of this background, since early November 2014, Panasonic and Panasonic IS have continuously discussed and considered various measures to further increase the corporate value of both companies. As a result, Panasonic and Panasonic IS came to mutually recognize and agree that it would be highly beneficial for them to assign the business of CISC from Panasonic to Panasonic IS so that they can more proactively utilize the management resources of Panasonic that will serve as a basis for the future growth and development of Panasonic IS, thereby contributing to an increase in corporate value of not only Panasonic IS but also the entire Panasonic group.

To that end, Panasonic and Panasonic IS have concluded that it is essential and requisite to make Panasonic IS a wholly-owned subsidiary by way of the Share Exchange in order to enable Panasonic IS to make prompt and flexible business decisions aimed at implementing the above-mentioned strategies.

### **No Solicitation of Proxies, Consents or Authorizations**

Panasonic IS's management is not soliciting proxies, consents or authorizations with respect to the Share Exchange prior to the general meeting of shareholders.

### **Conditions to the Completion of the Share Exchange**

The Share Exchange can be completed only if certain conditions which will be specified in the Share Exchange Agreement are satisfied. Such conditions will include the following:

Under the Companies Act, the Share Exchange Agreement must be approved at the general meeting of shareholders of Panasonic IS.

#### **Dissenters' Rights**

Under Japanese law, you may have dissenters' rights of appraisal in connection with the Share Exchange. See "The Share Exchange" Description of Material Share Exchange Terms "Dissenters' Appraisal Rights" for a complete discussion of dissenters' rights.

#### **Material Tax Consequences**

##### **Japanese Taxation**

Based on certain assumptions and subject to certain limited exceptions, the Share Exchange is expected to be a tax-free transaction for Japanese tax purposes for holders of Panasonic IS's common stock who will be allotted shares of Panasonic's common stock. As such, non-resident holders of shares of Panasonic IS's common stock will generally not recognize any gains or losses for Japanese tax purposes at the time of the Share Exchange. See "Taxation" Japanese Tax Consequences "Consequences of the Share Exchange" for further discussion.

##### **Material U.S. Federal Income Tax Consequences**

Panasonic intends to take the position that the Share Exchange constitutes for U.S. federal income tax purposes a "reorganization" within the meaning of Section 368(a) of the Code. As a result, subject to certain exceptions, the exchange of shares of Panasonic IS's common stock for shares of Panasonic's common stock will be tax-free to U.S. Holders as defined in "Taxation" Material U.S. Federal Income Tax Consequences included elsewhere in this prospectus. For further discussion, see "Taxation" Material U.S. Federal Income Tax Consequences.

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**Accounting Treatment of the Share Exchange**

The Share Exchange will be accounted for by Panasonic as equity transactions in accordance with U.S. GAAP. See The Share Exchange Accounting Treatment.

**Risk Factors**

In determining whether to vote to approve the Share Exchange, you should consider carefully the risk factors beginning on page 11 of this prospectus.

**Trading Markets for Shares of Panasonic's Common Stock**

Panasonic's common stocks are currently traded on the First Sections of the Tokyo Stock Exchange and the Nagoya Stock Exchange.

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**Risk Factors**

*Prior to making a decision on the Share Exchange, you should carefully consider, along with other matters set out in this prospectus, the following considerations:*

**Risks Relating to the Share Exchange**

***The exchange ratio for the Share Exchange is fixed and will not be adjusted to reflect changes in the market values of Panasonic's or Panasonic IS's common stock; as a result, the value of Panasonic's common stock you receive in the transaction may be less than the market value of Panasonic's common stock when you vote on the Share Exchange***

Upon the completion of the Share Exchange, each share of Panasonic IS's common stock will be exchanged for 2.5 shares of Panasonic's common stock. The ratio at which Panasonic IS's common stock will be exchanged for Panasonic's common stock is fixed and will not be adjusted for changes in the market prices of either company's common stock. Therefore, even if the relative market values of Panasonic's or Panasonic IS's common stock change, there will be no change in the number of shares of Panasonic's common stock which shareholders of Panasonic IS will receive in the Share Exchange.

Any change in the prices of either company's common stock occurring prior to the effective date of the Share Exchange will affect the value that holders of Panasonic IS's common stock receive in the Share Exchange. The value of the Panasonic's common stock to be received in the Share Exchange (which will occur approximately one month after the annual general meeting of shareholders) may be higher or lower than the indicative value as of the date of this prospectus and/or as of the date of the annual general meeting of Panasonic IS shareholders, depending on the prevailing market prices of Panasonic's and Panasonic IS's common stock.

The share prices of Panasonic's and Panasonic IS's common stock are subject to the general price fluctuations in the market for publicly traded equity securities and have experienced significant volatility in the past. Stock price changes may result from a variety of factors that are beyond the control of Panasonic and Panasonic IS, including actual changes in, or investor perception of, Panasonic's and Panasonic IS's businesses, operations and prospects. Regulatory developments, as well as current or potential legal proceedings, and changes in general market and economic conditions may also affect the stock price of Panasonic or Panasonic IS.

You should obtain and review recent market quotations for Panasonic's and Panasonic IS's common stock before voting on the Share Exchange. There can be no assurances as to the future market prices of Panasonic's and Panasonic IS's common stock before the completion of the Share Exchange, nor of the market price of Panasonic's common stock at any time after the completion of the Share Exchange.

***Turning Panasonic IS into a wholly-owned subsidiary may not produce the benefits anticipated by Panasonic***

Through turning Panasonic IS into a wholly-owned subsidiary through the Share Exchange described herein, Panasonic aims to promote more rapid decision-making and maximize group synergies, including through a restructuring of Panasonic's business organization that will involve the consolidation of Panasonic IS and CISC, an internal divisional company of Panasonic. This assignment of CISC's business to Panasonic IS is expected to be completed by October 1, 2015. However, in order to achieve such benefits, the operations of the two companies will need to be reorganized and their resources will need to be combined in a timely and flexible manner. There can be no assurance that Panasonic will be able to implement these steps as anticipated. Furthermore, the costs and expenses incurred in the course of the Share Exchange and the subsequent assignment of the business operations of CISC to Panasonic IS, including financial advisory, legal and accounting fees and expenses, arrangement fees to financial institutions, filing fees, printing expenses and other related charges as well as costs incurred by Panasonic IS in compensating dissenting shareholders who exercise their appraisal rights may exceed Panasonic's expectations. If Panasonic fails to achieve the planned restructuring effectively

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within the time frame that is currently contemplated, to the extent that is currently planned or at the cost currently estimated, or if for any other reason the expected group synergies fails to materialize, these transactions may not produce the benefits anticipated by Panasonic.

**Risks Relating to Economic Conditions**

***Continued or further weakness in Japanese and global economies may adversely affect Panasonic's business, operating results and financial condition***

Demand for Panasonic's products and services may be affected by general economic trends in the countries or regions in which Panasonic's products and services are sold. Economic downturns and resulting declines in demand in Panasonic's major markets worldwide may thus adversely affect Panasonic's business, operating results and financial condition. Also, destabilizing factors such as geopolitical risk, the effects of the contraction of the monetary easing program in the United States and a consumption tax increase in Japan may adversely affect Panasonic's business environment. Panasonic may incur increased costs due to additional business restructuring in order to cope with such business environment. If the global economy worsens contrary to Panasonic's expectations, the business environment of Panasonic may deteriorate more than currently anticipated, which may adversely affect Panasonic's business, operating results and financial condition.

***Currency exchange rate fluctuations may adversely affect Panasonic's business, operating results and financial condition***

Foreign exchange rate fluctuations may adversely affect Panasonic's business, operating results and financial condition, because costs and prices of its products and services and certain other transactions that are denominated in a foreign currency are affected by foreign exchange rate changes. In addition, foreign exchange rate changes also affect the yen value of Panasonic's overseas assets and liabilities because the amounts of such assets and liabilities are translated and presented in Japanese yen in Panasonic's consolidated financial statements. Generally, an appreciation of the yen against other major currencies in countries in which Panasonic operates may adversely affect Panasonic's operating results. Meanwhile, a depreciation of the yen against major currencies may have a favorable impact on Panasonic's operating results. However, with respect to certain business divisions, which have shifted manufacturing sites overseas, the depreciation of the yen may adversely affect their operating results on a Japanese yen basis due to an increase in the price of imported products. The rapid appreciation of the yen against the dollar and euro stopped during fiscal 2013. During fiscal 2014, the impact from foreign currency movements to Panasonic's operating results decreased, partially due to the aforementioned measures such as the shifting of manufacturing sites overseas. However, excessive foreign exchange rate fluctuations may adversely affect Panasonic's business, operating results and financial condition.

***Interest rate fluctuations may adversely affect Panasonic's business, operating results and financial condition***

Panasonic is exposed to interest rate fluctuation risks which may affect Panasonic's operating costs, interest expenses, interest income and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may adversely affect Panasonic's business, operating results and financial condition.

***Deterioration of financial market instability may adversely affect Panasonic's ability to raise funds or may increase the cost of fund raising***

Panasonic raises funds for its business through methods such as borrowing from financial institutions and issuing bonds and commercial paper. If, among other factors, the financial market deteriorates, financial institutions reduce lending to Panasonic or rating agencies downgrade Panasonic's credit ratings, Panasonic may not be able to raise funds in the time and amount necessary for Panasonic, or under conditions which Panasonic deems appropriate, and Panasonic may incur additional costs of raising funds, which may adversely affect Panasonic's business, operating results and financial condition.

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***Decreases in the value of stocks may adversely affect Panasonic's operating results and financial condition***

Panasonic holds both Japanese and overseas stocks as part of its investment securities. Decreases in the value of the stocks may cause losses due to a decrease in the valuation of investment securities, thereby adversely affecting Panasonic's operating results and financial condition. In the case of listed stocks, decreases in the value of the stocks may also reduce stockholders' equity on the balance sheet, as unrealized holding gains (losses) of available-for-sale securities are included as part of accumulated other comprehensive income (loss).

**Risks Relating to Panasonic's Business**

***Competition in the industry may adversely affect Panasonic's ability to maintain profitability***

Panasonic develops, produces and sells a broad range of products and services and therefore faces many different types of competitors, from large international companies to relatively small, rapidly growing, and highly specialized organizations. Panasonic may choose not to fund or invest in one or more of its businesses to the same degree as its competitors in those businesses do, or it may not be able to do so in a timely manner or even at all. These competitors may have greater financial strength, technological capability and marketing resources than Panasonic in the respective businesses in which they compete.

***Declines in product price and relationship with business partners on which Panasonic is highly dependent may adversely affect Panasonic's business, operating results and financial condition***

Panasonic's business is subject to intense price competition worldwide, which makes it difficult for Panasonic to determine product prices and maintain adequate profits. Such intensified price competition may adversely affect Panasonic's profits, especially in times of possible decreases in product demand. In BtoC (business-to-consumer) business areas, amid accelerating changes in the structure of markets, such as a demand shift to emerging markets and lower-priced products, Panasonic's product prices in digital electronics and other business areas may continue to decline. On the other hand, in BtoB (business-to-business) business areas, Panasonic's business, operating results and financial condition may be adversely affected by downward price pressures greater than those that can be countered by Panasonic's efforts, decrease in demand for products, or pressure for capital investment from business partners on which Panasonic depends.

***Panasonic's business is subject to risks generally associated with international business operations***

One of Panasonic's business strategies is business expansion in overseas markets. In many of these markets, Panasonic may face risks generally associated with international manufacturing and other business operations, such as political instability, including war, civil war, conflict, riot and terrorist attacks, cultural and religious differences and labor relations, as well as economic uncertainty and foreign currency exchange risks. Panasonic may also face barriers in commercial and business customs in foreign countries, including difficulties in timely collection of accounts receivable or in building and expanding relationships with customers, subcontractors or parts suppliers. Panasonic may also experience various political, legal or other restrictions in investment, trade, manufacturing, labor or other aspects of operations, including restrictions on foreign investment or the repatriation of profits on invested capital, nationalization of local industry, changes in export or import restrictions or foreign exchange controls, and changes in the tax system or the rate of taxation in countries where Panasonic operates businesses. With respect to products exported overseas, tariffs, other barriers or shipping costs may make Panasonic's products less competitive in terms of price. Expanding its overseas businesses may require significant investments long before Panasonic realizes returns on such investments, and increased investments may result in expenses growing at a faster rate than revenues.

***Panasonic may not be able to develop product formats that can prevail as de facto standards***

Panasonic may fail to introduce new products or services in response to technological changes in a timely manner. Some of Panasonic's core businesses in both BtoC (business-to-consumer) and BtoB (business-to-business) areas are concentrated in industries where technological innovation is the central competitive factor.

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Panasonic continuously faces the challenge of developing and introducing viable and innovative new products. Panasonic must predict with reasonable accuracy both future demand and new technologies that will be available to meet such demand. In cases where the technology developed or provided by Panasonic does not lead the market and, instead, the technology developed by its competitors are recognized as de facto standards, Panasonic may lose its competitiveness in new markets.

### ***Panasonic faces competition in recruiting and retaining skilled employees***

Panasonic's future success depends largely on its ability to attract and retain certain key personnel, including professionals in the fields of research, development, technology and management. However, the number of qualified personnel is limited, and the competition for attracting and retaining these employees is intense. Because of this intense competition for skilled employees, Panasonic may be unable to retain its existing personnel or attract additional qualified employees to keep up with future business needs. If this should happen, Panasonic's business, operating results and financial condition could be adversely affected.

### ***Panasonic may fail to fully achieve the expected results in connection with alliances with, and strategic investments in, third parties, and mergers and acquisitions***

Panasonic develops its businesses by forming alliances or joint ventures with, making strategic investments in, other companies, including investments in start-up companies, and implementing injection of external capital. Furthermore, the importance of strategic alliance with third parties is increasing. Although, in some cases, such alliances are crucial to Panasonic's goal of introducing new products and services, Panasonic may not be able to successfully collaborate or achieve expected synergies with its alliance partners. Furthermore, the alliance partners may make decisions regarding their business undertakings with Panasonic that may be contrary to Panasonic's interests. In addition, if these partners change their business strategies, Panasonic may fail to maintain these partnerships.

### ***Panasonic may face a shortage of parts, components and services, as well as electricity***

Panasonic's manufacturing operations depend on obtaining raw materials, parts and components, equipment and other supplies including services from reliable suppliers at adequate quality and quantity in a timely manner. It may be difficult for Panasonic to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all due to the shortage or interruption of supply caused by, among other factors, natural disasters, accidents, the bankruptcy of suppliers or increased industry demand. Any of these factors may adversely affect Panasonic's operations. Although Panasonic decides purchase prices by contract, the prices of raw materials, including iron and steel, resin, non-ferrous metals, and parts and components may increase due to changes in demand and supply conditions and the inflow of investment funds. Some components are only available from a limited number of suppliers, which also may adversely affect Panasonic's business, operating results and financial condition. Furthermore, if limitations on electricity use or rolling blackouts are implemented due to a shortage in the electricity supply caused by the closedown of certain nuclear power stations in Japan, the production at certain of Panasonic's manufacturing plants in Japan may decline or be suspended. The rise in electricity costs may lead to an increase in the cost of procuring electricity. The production and sales activities of Panasonic may be adversely and significantly affected by any or all of the aforementioned factors.

### ***Panasonic's customers may face financial difficulties***

Many of Panasonic's customers purchase products and services from Panasonic on payment terms that do not provide for immediate payment. If customers from whom Panasonic has substantial accounts receivable encounter financial difficulties and are unable to make payments on time, Panasonic's business, operating results and financial condition could be adversely affected.

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### **Risks Relating to Panasonic's Management Plans**

#### ***Panasonic may not be successful in realizing the expected benefits of its midterm management plan***

Panasonic announced a midterm management plan called Cross-Value Innovation 2015, or CV2015, on March 28, 2013, which runs to fiscal 2016 and implements specific measures to achieve its targets. However, while Panasonic developed CV2015 based on information and analysis that Panasonic believed were appropriate at the time, Panasonic may not be successful in realizing the expected benefits of its midterm management plan because of various external and internal factors, including deterioration of the business environment and increased costs of business restructuring, such as costs relating to additional business reorganization, the impairment of fixed assets and employment adjustments in order to cope with the business environment.

### **Risks Relating to Legal Restrictions and Litigation**

#### ***Significant direct or indirect costs resulting from product liability or warranty claims may adversely affect Panasonic's business, operating results and financial condition***

The occurrence of quality problems due to product defects, including safety incidents, relating to Panasonic products could make Panasonic liable for damages not covered by product and completed operation liability insurance, whereby Panasonic could incur significant expenses. Due to negative publicity arising due to such problems, Panasonic's business, operating results and financial condition may be adversely affected.

#### ***Panasonic may fail to protect its intellectual property rights adequately, face claims of intellectual property infringement by a third party or lose its intellectual property rights to key technologies or be liable for significant damages***

Panasonic may fail to protect its intellectual property rights adequately, face claims of intellectual property infringement by a third party, and lose its intellectual property rights to key technologies or be liable for significant damages. Panasonic's success depends on its ability to obtain intellectual property rights covering its products and product design. Patents may not be granted or may not be of sufficient scope or force to provide Panasonic with adequate protection or commercial advantage. In addition, effective copyright and trade secret protections may be unavailable or limited in some countries in which Panasonic operates. Competitors or other third parties may also develop technologies that are protected by patents and other intellectual property rights, which make such technologies unavailable or available only on terms unfavorable to Panasonic. Panasonic obtains licenses for intellectual property rights from other parties; however, such licenses may not be available on acceptable terms or at all, and the terms of such licenses may be modified unfavorably. Litigation may also be necessary to enforce Panasonic's intellectual property rights or to defend against intellectual property infringement claims brought against Panasonic by third parties. In such cases, Panasonic may incur significant expenses and management resources in connection with such lawsuits. Furthermore, Panasonic may be prohibited from using certain important technologies or be found liable for damages in cases of admitted violations of intellectual property rights of others.

#### ***Changes in accounting standards and tax systems may adversely affect Panasonic's operating results and financial condition***

The introduction of new accounting standards or tax systems, or changes thereof, which Panasonic cannot predict, may have a material adverse effect on Panasonic's operating results and financial condition. In addition, if tax authorities have different opinions from Panasonic on Panasonic's tax declarations, Panasonic may need to make larger tax payments than estimated.

#### ***Payments or compensation related to environmental regulations or issues may adversely affect Panasonic's business, operating results and financial condition***

Panasonic is subject to environmental regulations such as those relating to climate change, air pollution, water pollution, hazardous substances, waste materials, product recycling, and soil and groundwater



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contamination, and may be held responsible for certain related payments or compensation. Furthermore, if these regulations become stricter and an additional duty with the aim of eliminating the use of environmentally hazardous materials is imposed, or if Panasonic determines that it is necessary and appropriate, from the viewpoint of corporate social responsibility, to respond to environmental issues, the payment of penalties for the violation of these regulations or the payment of compensation for consolation to parties affected by such issues may adversely affect Panasonic's business, operating results and financial condition.

### ***Leaks of confidential information, including personal information, or trade secrets may adversely affect Panasonic's business, operating results and financial condition***

In the normal course of business, Panasonic holds confidential information mainly about customers regarding credit worthiness and other information, as well as confidential information about companies and other third parties. Such information may be leaked due to an accident or other inevitable cause or other third parties' actions including fraudulent access to systems, and any material leakage of confidential information may result in significant expense for related lawsuits and adversely affect Panasonic's business and image. Moreover, other than customer information, there is a risk that Panasonic's trade secrets, such as technology information, may be leaked due to illegal conduct of external parties, mere negligence or other causes. If such is the case, Panasonic's business, operating results and financial condition may be adversely affected.

### ***Restrictions, costs or legal liability relating to governmental laws and regulations may adversely affect Panasonic's business, operating results and financial condition***

Panasonic is subject to governmental regulations in Japan and other countries in which it conducts its business, including requirements to obtain governmental approvals for conducting business and investments, laws and regulations governing the telecommunications businesses and the safety of electronics products, national security-related laws and regulations and export/import laws and regulations, as well as commercial, antitrust, patent, product liability, environmental laws and regulations, consumer protection, labor relations, financial and business taxation laws and regulations, and internal control regulations. If, due to the implementation of stricter laws and regulations and stricter interpretations, Panasonic cannot comply with these laws and regulations from technical and economic perspectives, or Panasonic determines that it will not be economical to continue to comply with them, Panasonic will need to limit its activities in the affected business areas. Such laws and regulations could increase Panasonic's operating costs. In addition, in the event that governmental authorities find or determine that Panasonic has violated such laws and regulations, Panasonic could become subject to regulatory sanctions, including monetary penalties, as well as criminal sanctions or civil lawsuits for damages, and could also suffer reputational harm.

## **Risks Relating to Disasters, Accidents and Unpredictable Events**

### ***Disasters, accidents or unpredictable events may adversely affect Panasonic's business, operating results and financial condition***

Panasonic continues to expand its manufacturing, sales, and research and development activities globally and has facilities all over the world. If major disasters, such as earthquakes, tsunamis, fires, floods, including those caused by climate change, wars, terrorist attacks, computer viruses or other events occur, or Panasonic's information system or communications network break down or operates improperly as a result of such events, Panasonic's facilities and other assets may be seriously damaged, or Panasonic may have to stop or delay production and shipment of its products. Panasonic may incur expenses relating to such damages. In addition, if an infectious disease, such as a new highly-pathogenic flu strain, becomes prevalent throughout the world, Panasonic's manufacturing and sales may be materially disrupted. In addition, in the case where such natural disasters and accidents or other unpredictable events disrupt Panasonic's supply chain, including through disruptions affecting suppliers of parts or components and manufacturers to which Panasonic sells its products, the production and sales activities of Panasonic may be adversely and significantly affected due to the shortage or interruption in the supply of parts or components from such suppliers, or suspension of or decline in the production activities of such manufacturers.

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### **Other Risks**

#### ***Panasonic has pension plan benefit obligations that may adversely affect Panasonic's operating results and financial condition***

Panasonic has contributory, funded benefit pension plans covering substantially all employees in Japan who meet eligibility requirements. Panasonic and certain of its domestic subsidiaries made a transition from a defined benefit pension plan to a defined contribution pension plan for contributions made on or after July 1, 2013. Contributions received before the transition to a defined contribution pension plan, however, remain subject to the defined benefit plan. A decline in interest rates may cause a decrease in the discount rate on benefit obligations for these past contributions. A decrease in the value of stocks may also affect the return on plan assets. As a result, the actuarial loss may increase, leading to an increase in future net periodic benefit costs of these pension plans. Any such factors may adversely affect Panasonic's operating results and financial condition.

#### ***Impairment of some long-lived assets may adversely affect Panasonic's operating results and financial condition***

Panasonic has many long-lived assets, such as property, plant and equipment, intangibles and goodwill, that generate returns. Panasonic periodically reviews the recorded value of its long-lived assets to determine if their fair value is sufficient to support their book values. If these long-lived assets do not generate sufficient cash flows, impairment losses will have to be recognized, adversely affecting Panasonic's results of operations and financial condition.

#### ***Panasonic's ability to use deferred tax assets and realize tax position benefits is uncertain, and its inability to do so may necessitate an increase in the provision for income taxes and adversely affect Panasonic's operating results and financial condition***

In assessing the realizability of deferred tax assets and uncertain tax positions based on the expected future generation of taxable income or assessed sustainability of uncertain tax positions, Panasonic considers whether it is more likely than not that any portion or all of the deferred tax assets or recognized tax position benefit will not be realized. If Panasonic determines that recognized tax benefits on temporary differences and loss carryforwards cannot be realized upon the generation of future taxable income during the deductible periods due to deteriorating business conditions or tax position benefits may not be realized upon settlement, valuation allowance against deferred tax assets or unrecognized tax benefit reserves could be recognized and Panasonic's provision for income tax may increase, which may adversely affect Panasonic's operating results and financial condition.

#### ***Financial results and condition of associated companies under the equity method may adversely affect Panasonic's operating results and financial condition***

Panasonic holds equity interests in several associated companies under the equity method. Panasonic can exercise influence over the operating and financing policies of these companies. However, Panasonic does not have the right to make decisions for them since these companies operate independently. Some of these companies may record losses. If these associated companies do not generate profits, Panasonic's operating results and financial condition may be adversely affected.

### **Risks Relating to Owning Panasonic's Common Stock and ADSs**

#### ***Panasonic's shareholders of record on a record date may not receive the dividend they anticipate***

The customary dividend payout practice and relevant regulatory regime of publicly listed companies in Japan may differ from that followed in foreign markets. Panasonic's dividend payout practice is no exception. While Panasonic may announce forecasts of annual and interim dividends, these forecasts are not legally binding. The payment of annual or interim dividends requires a resolution of its board of directors. If the board adopts

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such a resolution, the dividend payment is made to shareholders as of the applicable record date, which is currently specified by its Articles of Incorporation as March 31, in the case of annual dividends, and September 30, in the case of interim dividends. However, the board usually does not adopt a resolution with respect to an annual dividend until after March 31 or with respect to an interim dividend until after September 30, respectively. Shareholders of record as of an applicable record date may sell shares in the market after the record date in anticipation of receiving a certain dividend payment based on the previously announced forecasts. However, since these forecasts are not legally binding and resolutions to pay dividends are usually not adopted until after the record date, Panasonic's shareholders of record on record dates for annual or interim dividends may not receive the dividend they anticipate.

### ***Investors holding less than a unit of shares will have limited rights as shareholders***

Pursuant to the Companies Act and other related legislation, Panasonic's Articles of Incorporation provide that 100 shares of common stock constitute one unit. The Companies Act imposes significant restrictions and limitations on holdings of shares that do not constitute whole units. In general, holders of shares constituting less than one unit do not have the right to vote or to examine Panasonic's books and records. The transferability of shares of Panasonic's common stock constituting less than one unit is significantly limited. For a more complete description of the unit share system and its effect on the rights of holders of Panasonic shares, see Description of Panasonic's Common Stock General Unit share system.

### ***Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions***

Panasonic's Articles of Incorporation, Regulations of the Board of Directors, and the Companies Act govern the corporate affairs of Panasonic. Legal principles relating to such matters as the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may be different from those that would apply to a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in another jurisdiction.

### ***Because of daily price range limitations under Japanese stock exchange rules, investors may not be able to sell their shares of Panasonic's common stock at a particular price on any particular trading day, or at all***

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

### ***It may not be possible for investors to effect service of process within the United States upon Panasonic or its directors, executive officers or audit & supervisory board members, or to enforce against Panasonic or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States***

Panasonic is a joint stock corporation organized under the laws of Japan. Almost all of Panasonic's directors, executive officers and audit & supervisory board members reside outside the United States. Many of Panasonic's assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon Panasonic or these persons or to enforce against Panasonic or these persons judgments obtained in the U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. Panasonic believes that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

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*ADS holders must act through the depositary to exercise these rights and have fewer rights than shareholders*

The rights of shareholders under Japanese law to take actions, including exercising their voting rights, receiving dividends and distributions, bringing derivative actions, examining Panasonic's accounting books and records, and exercising appraisal rights, are available only to shareholders of record. Because the depositary, through its nominee, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with deposited shares. If shareholders choose to deposit shares allocated to them in the Share Exchange for ADS, the depositary will make efforts to exercise their voting rights underlying ADSs in accordance with the instructions of ADS holders, and will pay dividends and distributions collected from Panasonic. However, ADS holders will not be able to bring a derivative action, examine Panasonic's accounting books and records, or exercise appraisal rights through the depositary.

**Table of Contents****Selected Consolidated Financial Data of Panasonic****U.S. GAAP Selected Financial Data of Panasonic**

The following selected consolidated statement of operations data for the years ended March 31, 2012, 2013 and 2014, and the selected consolidated balance sheet data as of March 31, 2013 and 2014, have been derived from Panasonic's audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated statement of operations data for the years ended March 31, 2010 and 2011, and the selected consolidated balance sheet data as of March 31, 2010, 2011 and 2012 have been derived from Panasonic's audited consolidated financial statements not included in this prospectus. The selected consolidated statement of operations data for the six months ended September 30, 2013 and 2014, and the selected consolidated balance sheet data as of September 30, 2014 have been derived from Panasonic's unaudited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data as of September 30, 2013 have been derived from Panasonic's unaudited consolidated financial statements not included in this prospectus. You should read the following selected consolidated financial data in conjunction with Panasonic's consolidated financial statements and the information in Panasonic Management's Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus. Panasonic has prepared its consolidated financial statements in accordance with U.S. GAAP.

	Yen (billions), except per share amounts					Six months ended	
	Fiscal year ended March 31,					September 30,	
	2014	2013	2012	2011	2010	2014	2013
<b>Statement of Operations Data:</b>							
Net sales	7,737	7,303	7,846	8,693	7,418	3,723	3,706
Income (loss) before income taxes	206	(398)	(813)	179	(29)	122	207
Net income (loss)	122	(775)	(816)	86	(171)	90	173
Net income (loss) attributable to Panasonic Corporation	120	(754)	(772)	74	(103)	81	169
Per common share:							
Net income (loss) attributable to Panasonic Corporation:							
Basic	52.10	(326.28)	(333.96)	35.75	(49.97)	35.01	73.25
Diluted						35.01	
Dividends	13.00		10.00	10.00	10.00	8.00	
<b>Balance Sheet Data:</b>							
Total assets	5,213	5,398	6,601	7,823	8,358	5,345	5,343
Long-term debt	557	663	942	1,162	1,029	516	570
Total Panasonic Corporation shareholders equity	1,548	1,264	1,930	2,559	2,792	1,590	1,467
Common stock	259	259	259	259	259	259	259
Number of shares issued at year-end (thousands)	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053
Number of shares issued and outstanding at year-end (thousands)	2,311,557	2,311,659	2,311,702	2,070,293	2,070,605	2,311,521	2,311,629

Note 1. Dividends per share reflect those declared during each fiscal year.

Note 2. Diluted net income (loss), attributable to Panasonic Corporation common shareholders per share for fiscal 2014, 2013, 2012, 2011 and 2010, and for the six months ended September 30, 2013 have been omitted because Panasonic did not have potential common shares that were outstanding for these periods.

**Table of Contents****Market Price and Dividend Information**

Panasonic's common stock is listed on the First Sections of the Tokyo Stock Exchange and the Nagoya Stock Exchange. Also, American Depositary Shares, each representing one Panasonic share, were listed on the New York Stock Exchange until Panasonic's delisting from the New York Stock Exchange, or the NYSE, became effective, which is prior to the opening of trading on April 22, 2013 (New York time). Panasonic IS's common stock is listed on the First Section of the Tokyo Stock Exchange.

The following table sets forth, for the periods indicated, the reported high and low prices per share of Panasonic's common stock on the First Section of the Tokyo Stock Exchange, and the reported high and low composite prices of Panasonic's ADSs on the New York Stock Exchange through April 21, 2013, the date immediately preceding the effective date of Panasonic's delisting from the NYSE:

	Tokyo Stock Exchange		New York Stock Exchange	
	Price per Share of Common Stock (yen)		Price per American Depositary Share (dollars)	
	High	Low	High	Low
Fiscal Year ended March 31, 2011	¥ 1,480	¥ 826	\$ 15.72	\$ 10.76
Fiscal Year ended March 31, 2012	1,070	582	12.75	7.77
Fiscal Year ended March 31, 2013	781	376	9.27	4.61
Fiscal Year ended March 31, 2014 (ADS: through April 21, 2013)	1,408	594	7.31	6.35
Fiscal Year ended March 31, 2015	1,614.0	1,030.0		
<b>Fiscal Year ended March 31, 2013:</b>				
First quarter	780	495	9.27	6.29
Second quarter	654	476	8.06	6.14
Third quarter	530	376	6.67	4.61
Fourth quarter	781	502	8.13	5.88
<b>Fiscal Year ended March 31, 2014:</b>				
First quarter (ADS: through April 21, 2013)	993	594	7.31	6.35
Second quarter	972	780		
Third quarter	1,260	904		
Fourth quarter	1,408	1,059		
<b>Fiscal Year ended March 31, 2015:</b>				
First quarter	1,267	1,030		
Second quarter	1,330.0	1,183.0		
Third quarter	1,610.0	1,130.0		
Fourth quarter	1,614.0	1,293.0		
<b>Month of:</b>				
August 2014	1,296.0	1,184.0		
September 2014	1,330.0	1,272.5		
October 2014	1,312.0	1,130.0		
November 2014	1,532.5	1,372.0		
December 2014	1,610.0	1,402.5		
January 2015	1,435.5	1,293.0		
February 2015	1,497.5	1,298.0		
March 2015	1,614.0	1,478.0		
April 2015 (through April 27, 2015)	1,725.0	1,540.5		

Note 1. The prices of ADSs are based upon reports by the NYSE, with all fractional figures rounded up to the nearest two decimal points.

Note 2. Tokyo Stock Exchange introduced sub-yen tick sizes for TOPIX 100 stocks (including Panasonic) from July 22, 2014. Accordingly, stock prices after July 22, 2014 contain decimals.

On April 27, 2015, the last reported sale price of Panasonic shares on the Tokyo Stock Exchange was ¥1,698.5 per share.



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The following table sets forth, for the periods indicated, the reported high and low prices per share of Panasonic IS's common stock on the First Section of the Tokyo Stock Exchange:

	Panasonic IS Common Stock Price per Share	
	High	Low
Fiscal year ended March 31, 2011	¥ 2,531	¥ 1,500
Fiscal year ended March 31, 2012	2,308	1,949
Fiscal year ended March 31, 2013	2,244	1,760
Fiscal year ended March 31, 2014	3,480	1,975
Fiscal year ended March 31, 2015	4,000	2,485
<b>Fiscal year ended March 31, 2013:</b>		
First quarter	2,222	1,815
Second quarter	2,071	1,850
Third quarter	1,980	1,760
Fourth quarter	2,244	1,920
<b>Fiscal year ended March 31, 2014:</b>		
First quarter	2,529	1,975
Second quarter	2,460	2,222
Third quarter	3,480	2,345
Fourth quarter	3,315	2,638
<b>Fiscal year ended March 31, 2015:</b>		
First quarter	2,965	2,485
Second quarter	3,085	2,675
Third quarter	3,315	2,770
Fourth quarter	4,000	2,890
<b>Month of:</b>		
August 2014	2,999	2,675
September 2014	3,085	2,806
October 2014	3,060	2,770
November 2014	3,100	3,010
December 2014	3,315	3,025
January 2015	3,095	2,890
February 2015	3,750	2,930
March 2015	4,000	3,670
April 2015 (through April 27, 2015)	4,285	3,835

On April 27, 2015, the last reported sale price of Panasonic IS shares on the Tokyo Stock Exchange was ¥4,210 per share.

Set forth below are the closing prices of Panasonic's common stock and Panasonic IS's common stock on February 2, 2015, the last full trading day prior to the public announcement date on which the two companies had announced the Share Exchange, February 3, 2015, the date on which the two companies publicly announced the share exchange ratio, and April 27, 2015. The table also sets forth the implied equivalent value of Panasonic IS's common stock on these dates, as determined by multiplying the applicable closing price of Panasonic's common stock by the exchange ratio of 2.5 Panasonic shares per Panasonic IS share. Panasonic urges you to obtain current market quotations for each of the two companies' common stock.

	Panasonic's	Panasonic IS's	
	Common Stock	Common Stock	
	Historical	Historical	Equivalent
February 2, 2015	¥ 1,347.5	¥ 2,967	¥ 3,368.8
February 3, 2015	1,357.5	2,960	3,393.8



April 27, 2015	1,698.5	4,210	4,246.3
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The following table sets forth, for the periods indicated, the dividends per share declared by the Panasonic and Panasonic IS in each fiscal year and consist of interim dividends paid during the fiscal year and year-end dividends paid after the fiscal year-end:

	Panasonic	Panasonic IS
<b>Fiscal Year Ended (Ending) March 31,</b>		
2011	10.00	65.00
2012	10.00	65.00
2013		65.00
2014	13.00	65.00
2015 (Interim Dividend)	8.00	32.50
<b>Panasonic IS Shareholders</b>		

According to Panasonic IS's register of shareholders as of March 31, 2015, there were 10,656,000 shares of its common stock issued, of which 10,655,628 shares were outstanding and were held by 3,373 shareholders of record, including 29 shareholders of record with addresses in the United States who held 755,145 shares, representing approximately 7.09% of the then issued and outstanding common stock. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States may be fewer than the number of beneficial owners in the United States. Panasonic IS is not required by Japanese law to monitor or disclose beneficial ownership of its common stock.

**Table of Contents****Exchange Rates**

The following table sets forth information regarding the noon buying rates for Japanese yen in New York City for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes expressed in Japanese yen per \$1.00 during the periods and as of the dates shown. The average exchange rate for the periods shown is the average of the month-end rates during the period. We have translated some Japanese yen amounts presented in this prospectus into dollars solely for your convenience. Unless otherwise noted, the rate used for such translations was ¥102.92 per \$1.00. This was the approximate exchange rate in Japan on March 31, 2014. Such translations should not be construed as a representation that the yen amounts have been, could have been, or could in the future be converted into dollars at the above or any other rate.

	High	Low	Average	Period-End
<b>Fiscal Year Ended March 31,</b>				
2011	¥ 94.68	¥ 78.74	¥ 85.00	¥ 82.76
2012	85.26	75.72	78.86	82.41
2013	96.16	77.41	83.26	94.16
2014	105.25	92.96	100.46	102.98
2015	121.50	101.26	110.78	119.96
<b>Fiscal Year Ended March 31, 2015</b>				
Six-Month Period Ended September 30, 2014	¥ 109.66	¥ 101.26	¥ 103.60	¥ 109.66
<b>Calendar Year 2014</b>				
August	¥ 104.12	¥ 101.91		
September	109.66	104.88		
October	112.09	105.98		
November	118.70	113.44		
December	121.38	117.28		
<b>Calendar Year 2015</b>				
January	¥ 120.20	¥ 116.78		
February	120.38	117.33		
March	121.50	119.01		
April (through April 24, 2015)	120.36	118.96		

On April 24, 2015, the noon buying rate was ¥118.98 = \$1.00.

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### **General Meeting of Panasonic IS Shareholders**

#### **General**

Panasonic IS is distributing mail-in-ballots to its shareholders who are entitled to exercise their voting rights (or their standing proxies in Japan, as appropriate) for use at an annual general meeting of Panasonic IS shareholders, expected to be held on June 19, 2015, in Osaka, Japan, at a time and place to be set forth in a convocation notice that will be sent to investors at least two weeks prior to the date set for the meeting. Panasonic IS is distributing these mail-in-ballots, together with the notice of convocation of the meeting and reference documents concerning the shareholders' meeting, by mail to its shareholders who have voting rights. Both the notice and mail-in-ballots are written in Japanese. An English translation of the notice of convocation of the meeting and reference documents for the shareholders' meeting are included as an exhibit to the registration statement of which this prospectus forms a part. An English translation of the mail-in-ballot is also included as an exhibit to such registration statement. This prospectus is furnished to Panasonic IS shareholders resident in the United States in connection with the issuance by Panasonic of shares of Panasonic's common stock pursuant to the Share Exchange.

At the shareholders' meeting of Panasonic IS, the approval of the Share Exchange Agreement will be considered and voted upon by the shareholders of Panasonic IS.

#### **Voting**

##### ***Record Date***

Pursuant to Panasonic IS's articles of incorporation, the close of business on March 31, 2015 is the Panasonic IS record date for the determination of the holders of Panasonic IS's common stock entitled to exercise the shareholders' rights at the Panasonic IS annual general meeting. Panasonic IS's shareholders may vote at the Panasonic IS general meeting only if they are registered as a holder of one unit or more shares of Panasonic IS's common stock in Panasonic IS's register of shareholders at that time.

As of March 31, 2015, there were 10,655,628 shares of Panasonic IS's common stock issued and outstanding. Of those, 755,145 shares were held by residents of the United States. Each unit of shares of Panasonic IS's common stock outstanding on the Panasonic IS record date is entitled to one vote on each matter properly submitted at the Panasonic IS general meeting subject to the limitation by the Unit share system. See Description of Panasonic's Common Stock - General Unit Share System.

##### ***Vote Required***

Approval of the Share Exchange requires the affirmative vote of the holders of a two-thirds majority of the voting rights of shareholders of Panasonic IS represented at the general meeting of shareholders of Panasonic IS at which shareholders holding one-third of the total voting rights of the shareholders who are entitled to exercise their voting rights are represented.

As of March 31, 2015, the directors and audit & supervisory board members of Panasonic IS owned of record approximately 0.253% of the voting rights of Panasonic IS's common stock. As of March 31, 2015, directors and audit & supervisory board members of Panasonic did not own any of the voting rights of Panasonic IS's common stock.

##### **Mail-in-ballots and Electronic Vote**

Holders of Panasonic IS's common stock entitled to vote at the Panasonic IS general meeting may vote their shares by mail-in-ballot, using the form in Japanese which Panasonic IS is distributing by mail to those holders.

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Holders of Panasonic IS's common stock are also entitled to exercise voting rights via the Internet by accessing a website designated by Panasonic IS and inputting an exercise code and password. Internet voting is available only on the Japanese-language website.

***Revocation***

Any person who submits a mail-in-ballot by mail or vote via the Internet may revoke it any time before it is voted:

By sending another mail-in-ballot dated a later date than the previous mail-in-ballot to Panasonic IS, or by submitting a subsequent vote via the Internet (if a shareholder sends mail-in-ballot and submits vote via the Internet, the vote via Internet will be counted and if a shareholder submits vote via the Internet more than one time, the last vote will be counted), or

By voting in person, or through another shareholder entitled to vote and appointed as such person's attorney-in-fact, at the general meeting of shareholders of Panasonic IS.

Panasonic IS shareholders who have instructed a broker to vote their shares must follow directions received from their broker to change and revoke their vote.

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**The Share Exchange**

**General**

The boards of directors of Panasonic and Panasonic IS have agreed to the Share Exchange, to be approved by shareholders' meeting of Panasonic IS. Pursuant to the Share Exchange, each shareholder of Panasonic IS will receive 2.5 shares of Panasonic's common stock for each share of Panasonic IS's common stock that such shareholder holds. If the terms of the Share Exchange are approved by the shareholders' meeting of Panasonic IS, and if the other conditions for completing the Share Exchange are satisfied, the Share Exchange is expected to become effective on August 1, 2015.

This section of the prospectus describes material aspects of the Share Exchange, including the material provisions of the Share Exchange Agreement. An English-language translation of the Share Exchange Agreement, the original of which is written in Japanese, is included in this prospectus as Appendix A.

**Background to the Share Exchange**

Through the Share Exchange, Panasonic plans to turn Panasonic IS into a wholly-owned subsidiary.

Since its establishment in 1918, Panasonic has been conducting business broadly in the electronics industry, guided by its basic management philosophy, which states that the mission of an enterprise is to contribute to the progress and development of society and the well-being of people worldwide through its business activities. As for its IT business, Panasonic has promoted IT innovation by making full use of its IT capabilities in connection with the management reform process conducted to date in order to focus all management resources on maximizing value for customers. In April 2000, Matsushita Electric Industrial (currently Panasonic), established CISC in the form of an internal divisional company by consolidating and organizing of existing internal system engineers within a single division. Since its establishment, CISC has not only handled construction and operation of systems, but also provided high-quality IT services within the Panasonic group, serving as a driving force for innovation in the Panasonic group's operational processes. In particular, CISC has performed a significant role as the IT function of the Panasonic Group through construction and operation of the Panasonic Treasury System, the Corporate Supply Chain Management System and Panasonic's global IT network.

On the other hand, Panasonic IS, which was originally the information system department of Matsushita Electric Works, was established in 1999 as a wholly-owned subsidiary of Matsushita Electric Works, with the business purpose of integration, operation and management of systems related to information processing. In July 2001, Panasonic IS registered its stock for trading on the over-the-counter market with the Japan Securities Dealers Association, in December 2003, Panasonic IS listed its stock on the Second Section of the Tokyo Stock Exchange and in November 2004, Panasonic IS's stock was allocated to the First Section of the Tokyo Stock Exchange. Panasonic IS has since become a subsidiary of Panasonic, as a result of Matsushita Electric Works, the parent company of Panasonic IS, becoming a subsidiary of Matsushita Electric Industrial (currently Panasonic), in April 2004.

Panasonic IS has provided IT support, such as the construction and operation of production management systems and an online order receiving system to the Matsushita Electric Works group for over 50 years, including during the period when Panasonic IS was a department of Matsushita Electric Works. In addition, Panasonic IS has provided total solutions for information systems, including through planning, designing, developing, operating and maintaining information systems for customers both within and outside its group. Panasonic IS has developed into a high-revenue company by taking advantage of, among other things, its development skills and operational capabilities, which have been strengthened through the opportunities Panasonic IS has had meeting the various needs of its group, as well as Panasonic IS's expertise in promoting rationalization and efficiency, which Panasonic IS gained serving customers outside of its group during the more than 15 year period since its establishment as a separate company.

In Panasonic IS's midterm management plan for fiscal years 2013-2015, which Panasonic IS formulated at the end of the fiscal year 2012, Panasonic IS established key business goals for the development of Panasonic IS,

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which include collaboration with the Panasonic Group, in addition to the important focus areas of ICT infrastructure service, system integration of core functions and creation of something new. Panasonic IS has taken steps to further strengthen its partnership with the Panasonic group, such as developing IT solutions that utilize both products and services provided by the Panasonic group as well as IT services provided by Panasonic IS.

While Panasonic and Panasonic IS have thus far shared their management strategy as group companies to implement various measures for their business, including those measures mentioned above, they mutually recognize that, in order to meet the increasingly competitive market environment going forward, prompt decision making, flexible organizational restructuring and the reallocation of management resources will be required and that it will be essential for them to utilize IT, as a group, more effectively and efficiently.

Given this background, Panasonic has considered various measures to further increase the corporate value of its group. As a part of such efforts, Panasonic began to explore the possible acquisition of the Panasonic IS shares that it did not already own.

Prior to the transaction, the President of Panasonic, Mr. Kazuhiro Tsuga, discussed with Mr. Mototsugu Sato, Director in charge of Planning, and Mr. Sadaaki Yokoh, General Manager of the Corporate Planning Group, and decided to establish a new project team to explore Panasonic's possible acquisition of the Panasonic IS shares that it did not already own.

This project team discussed the potential issues related to such transaction with Panasonic's financial advisor, Nomura Securities Co., Ltd., its Japanese legal counsel, Nagashima Ohno & Tsunematsu, and its U.S. legal counsel, Sullivan & Cromwell LLP.

In early November 2014, Panasonic made a proposal to Panasonic IS to discuss the possibility of such a transaction.

Mr. Mototsugu Sato, Director in charge of Planning at Panasonic, held a meeting with Mr. Kazuhiro Maegawa, the President of Panasonic IS, and proposed Panasonic's plan to turn Panasonic IS into a wholly-owned subsidiary by acquiring all of the Panasonic IS shares not already owned by Panasonic. At this meeting, Mr. Sato proposed that the acquisition occur by way of a share exchange.

Following this initial meeting, both Panasonic and Panasonic IS had internal meetings and meetings with their respective outside advisors to discuss the Share Exchange.

Early in November 2014, Mr. Maegawa, the President of Panasonic IS, promised Mr. Sato, Director in charge of Planning at Panasonic, that Panasonic IS would consider Panasonic's proposal.

Subsequently, the management teams of Panasonic and Panasonic IS had extensive discussions to negotiate matters concerning the Share Exchange, including the share exchange ratio, the structure of the Share Exchange, the schedule of the Share Exchange, as well as Panasonic IS's post-transaction business strategy.

After receiving the proposal from Panasonic, Panasonic IS retained SMBC Nikko Securities Inc. as its financial advisor. Panasonic IS also retained OH-EBASHI LPC & PARTNERS as its Japanese legal counsel.

Panasonic IS, together with its financial advisor and its Japanese legal counsel, held various meetings to discuss the conditions, structure, schedule, and negotiation strategy for the potential transaction.

Among other things, OH-EBASHI LPC & PARTNERS provided Panasonic IS's board of directors with legal advice concerning the decision-making method and procedures to be used by the board of directors.

Over the course of the discussions and negotiations between Panasonic and Panasonic IS, Panasonic performed legal and financial due diligence on Panasonic IS with the assistance of legal and accounting

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professional firms. As part of this process, Panasonic also conducted interviews with the management of Panasonic IS. On behalf of Panasonic, legal due diligence was conducted by Nagashima Ohno & Tsunematsu and accounting due diligence by KPMG FAS Co., Ltd.

Approximately two weeks prior to the public announcement of the transaction, Panasonic and Panasonic IS visited the Tokyo Stock Exchange and, in accordance with the listing rules of the Tokyo Stock Exchange, had a preliminary consultation meeting with Tokyo Stock Exchange officials in regards to the Share Exchange.

On February 3, 2015, the date of public announcement, the board of directors of Panasonic IS received a valuation report from SMBC Nikko Securities Inc., acting as Panasonic IS's financial advisor and as a third-party independent from both Panasonic and Panasonic IS.

Additionally, on the same date the board of directors of Panasonic IS received a report from a third party committee established to evaluate the Share Exchange stating that the Share Exchange would not be considered disadvantageous for the minority shareholders of Panasonic IS.

On the same date, at a meeting of the board of directors of Panasonic IS (which was attended by eight out of nine directors including one of two outside directors), based in part on the share exchange ratio analysis and the valuation report received from SMBC Nikko Securities Inc., Panasonic IS determined that the conditions relating to the Share Exchange were appropriate and that the Share Exchange would be beneficial to Panasonic IS's corporate value.

On the same date, Panasonic IS's board of directors adopted a resolution, with the unanimous approval of the directors in attendance, stating that Panasonic IS would execute the Share Exchange Agreement.

In addition, all of the audit & supervisory board members of Panasonic IS attended the aforesaid board of directors meeting (two audit & supervisory board members out of three, including one of two outside audit & supervisory board members) and expressed the opinion that they had no objection to the execution of the Share Exchange Agreement.

Mr. Takahiro Nakagawa, an outside director of Panasonic IS, also serves as an employee of Panasonic, and thus did not participate in any of the discussions regarding or voting on the Share Exchange at meetings of Panasonic IS's board of directors due to a conflict of interest. Mr. Nakagawa also did not participate in any of the discussions or negotiations with Panasonic on behalf of Panasonic IS. Mr. Eiji Furusawa, an outside audit & supervisory board member of Panasonic IS, likewise did not participate in any of the discussions at meetings of Panasonic IS's board of directors regarding the Share Exchange due to a conflict of interest because he also serves as an employee of Panasonic.

On February 3, 2015, a meeting of the board of directors of Panasonic was held for the final consideration of the Share Exchange. After review and discussions regarding the terms of the proposal, the board of directors of Panasonic unanimously resolved to approve the Share Exchange.

On February 3, 2015, Panasonic and Panasonic IS executed the Share Exchange Agreement and announced the details of the Share Exchange, including the share exchange ratio. The announcement also noted that the share exchange ratio may be subject to change upon consultations between Panasonic IS and Panasonic in the case of any material changes to the assumptions underlying the calculation of the share exchange ratio. If the Share Exchange is approved at the meeting of shareholders of Panasonic IS and any other conditions for completing the Share Exchange are satisfied, the Share Exchange will become effective on August 1, 2015.

Also on February 3, 2015, assuming that the Share Exchange occurs, making Panasonic IS a wholly-owned subsidiary of Panasonic, Panasonic and Panasonic IS agreed to initiate discussions regarding the assignment of the business of CISC, which has a key role performing IT functions for the Panasonic group, to Panasonic IS, with the aim of carrying out the transfer of CISC's business on October 1, 2015.



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### **Reasons for the Share Exchange**

As discussed above, both CISC and Panasonic IS have performed key roles in connection with the IT functions of the Panasonic group by endeavoring to reinforce their collaborative relationships with business partners, both within and outside the Panasonic group, and improving their operational efficiency. However, the situation has been that two important IT service providers have co-existed within the Panasonic Group. In order to resolve this situation, both Panasonic and Panasonic IS have come to the conclusion that, by assigning the business of CISC to Panasonic IS, they will be able to further improve their operational efficiency as a result of the unification of these IT service providers and to provide higher quality services to all of their customers.

In light of this background, since early November 2014, Panasonic and Panasonic IS have continuously discussed and considered various measures to further increase the corporate value of both companies. As a result, Panasonic and Panasonic IS came to mutually recognize and agree that it would be highly beneficial for them to assign the business of CISC from Panasonic to Panasonic IS so that they can more proactively utilize the management resources of Panasonic that will serve as a basis for the future growth and development of Panasonic IS, thereby contributing to an increase in corporate value of not only Panasonic IS but also the entire Panasonic group.

To that end, Panasonic and Panasonic IS have concluded that it is essential and requisite to make Panasonic IS a wholly-owned subsidiary by way of the Share Exchange in order to enable Panasonic IS to make prompt and flexible business decisions aimed at implementing the above-mentioned strategies.

After the assignment of CISC's business to Panasonic IS, Panasonic IS will serve as the global core IT company within the Panasonic group and comprehensively support all of Panasonic's businesses, while further accelerating the development of the business outside the group that Panasonic IS has performed up until this point and aiming to provide the optimal level of IT services needed to sustain the operations of the Panasonic group. As a result of the above-mentioned measures, Panasonic and Panasonic IS believe that, among other things, the technical expertise and know-how that have been gained by CISC and Panasonic IS individually thus far will be integrated and the types of IT system services utilized by the Panasonic group will be unified, while enhancing the effective use of the group's existing IT-related assets and creating new types of external sales business, which is expected to lead to greater revenue growth opportunities.

### ***Determination of Panasonic IS's Board of Directors***

As discussed in further detail above under "Background to the Share Exchange", the Share Exchange was approved at a meeting of the board of directors of Panasonic IS held on February 3, 2015 by a unanimous vote of all eight of the directors that were not deemed to have conflicts of interests (including one outside director). In order to avoid conflicts of interest, Mr. Takahiro Nakagawa, the other outside director of Panasonic IS, also serves as an employee of Panasonic, and thus did not participate in any of the discussions regarding or voting on the Share Exchange at the Board of Directors meeting of Panasonic IS, and also did not participate in any of the discussions and negotiations regarding the Share Exchange on behalf of Panasonic IS. In addition, out of the three audit & supervisory board members of Panasonic IS, two audit & supervisory board members (including one outside audit & supervisory board member) participated in the said meeting and all of them expressed the opinion that they had no objections to the implementation of the Share Exchange. In order to avoid conflicts of interest, Mr. Eiji Furusawa, the other outside audit & supervisory board member of Panasonic IS, also serves as an employee of Panasonic, and thus did not participate in any of the discussions at the Board of Directors meeting of Panasonic IS regarding the Share Exchange nor expressed his opinion thereon.

As also discussed in further detail above under "Background to the Share Exchange", throughout the negotiation process leading to the board decision, the Panasonic IS board of directors sought appropriate opinions of the outside director and the outside audit & supervisory board member other than those that came from Panasonic, in order to prevent (i) any transactions which may benefit Panasonic or (ii) any transactions which

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would be disadvantageous to Panasonic IS and the minority shareholders and to further enhance the objectivity of the management decisions. In addition, the Panasonic IS board of directors consulted with Panasonic IS's financial and legal advisors.

In making its determination to approve the Share Exchange Agreement, with advice from Panasonic IS's financial and legal advisors, the Panasonic IS board of directors considered a number of factors, including the following:

The board's knowledge of the businesses, operations, financial condition, earnings and future prospects of both Panasonic IS and Panasonic.

The board's knowledge of the current and prospective economic, market and industry environment in which Panasonic IS and Panasonic operate.

The results of the legal and financial due diligence of Panasonic's operations conducted by Panasonic IS and its legal and accounting advisors.

The results of analyses of the Share Exchange Ratio, prepared by SMBC Nikko, which included the market price analysis, comparable company analysis and discounted cash flow analysis.

The opinion of Third-party Committee, which was delivered to Panasonic IS board of directors, dated February 3, 2015.

The fact that the outside director and the outside audit & supervisory board member that did not have conflicts of interest expressed no objections to Panasonic IS's implementation of the Share Exchange Agreement.

The terms of the Share Exchange Agreement and its effects, including without limitation the fact that Panasonic would become the sole shareholder of Panasonic IS upon consummation of the Share Exchange.

The foregoing discussion of the information considered by the Panasonic IS board of directors is not exhaustive, but includes the material factors that the Panasonic IS board of directors considered in approving the Share Exchange. In view of the wide variety of factors considered in connection with its evaluation of the Share Exchange and the complexity of these matters, the Panasonic IS board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. The Panasonic IS board conducted an overall analysis of the factors described above, including discussions with Panasonic IS's financial and legal advisors, and considered the factors overall to be favorable to, and to support, its determination.

The above explanation of the reasoning of the Panasonic IS board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "Forward-Looking Statements" on page 2.

### **Advice and Reports from Panasonic IS's Advisors**

#### ***Valuation report of Panasonic IS's Financial Advisor***

SMBC Nikko delivered its valuation report (the "Valuation Report") in Japanese to Panasonic IS's board of directors on February 3, 2015. The English translation of the Valuation Report of SMBC Nikko is attached as Appendix B. The Valuation Report was prepared for the sole use of the board of directors of Panasonic IS to provide it with useful information in relation to the Share Exchange Ratio. As such, no opinion or evaluation was provided in the Valuation Report, nor indirectly suggested or implied, in relation to the fairness of the Share Exchange Ratio to any parties, entities or individuals, including Panasonic IS and its shareholders. In addition, the Valuation Report is not intended for the shareholders of Panasonic IS nor does it intend to provide them with any assistance or recommendations on the decisions to be made during the general meeting that will be called to decide upon the approval of the Transaction.



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SMBC Nikko has consented to the inclusion of its Valuation Report as Appendix B to this prospectus. By giving such consent, SMBC Nikko does not thereby admit that it comes within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor does it thereby admit that it is an expert with respect to any part of this Registration Statement on Form F-4 of which this prospectus forms a part within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

In connection with preparing the Valuation Report, SMBC Nikko used the following materials and information sources:

financial disclosures such as Securities Reports (*Yukashoken Hokokusyo*), Quarterly Reports (*Shihanki Hokokusyo*) and Financial Reports Summaries (*Kessan Tanshin*);

documents and information provided by Panasonic IS related to its business policy, business plan and financial information;

due diligence reports on Panasonic from the viewpoint of finance, taxation and legal matters provided by Panasonic IS;

information obtained through interviews with representatives of Panasonic IS and Panasonic;

stock price information and stock trading information of Panasonic IS and Panasonic; and

other disclosed or public information.

SMBC Nikko did not take into consideration any synergy effect resulting from the Transaction, as Panasonic IS had prepared its current business plan separately, on a stand-alone basis.

SMBC Nikko assumed that the materials, information and data used for the Valuation Report were accurate and complete in all respects. SMBC Nikko did not conduct any verification or validation concerning the accuracy or completeness of such information or data. Furthermore, SMBC Nikko did not undertake any examination of the assets and liabilities belonging to Panasonic IS, Panasonic or their subsidiaries and affiliates, whether independently or by outsourcing to external professional contractors. The result of such valuation may be affected considerably should any deficiencies be found in the accuracy, completeness or integrity of such information.

SMBC Nikko assumed that Panasonic IS, Panasonic and their subsidiaries and affiliates did not have any undisclosed off the book or undisclosed contingent liabilities that may result from lawsuits, conflicts, environmental issues, taxation or otherwise, which may significantly influence the result of the Valuation Report.

The Valuation Report was prepared on the assumption that the data and the information contained in the business plans and other materials used in the business plans and other materials used for the Valuation Report were correct and complete, based on the most accurate estimation and prudent judgment possible of the providers, by following proper procedures.

In addition, SMBC Nikko may have conducted analyses in the process of preparing the Valuation Report from the angle of certain prepositions or hypotheses based upon such data and information provided by external parties, assuming that they were accurate and reasonable. SMBC Nikko did not conduct nor shall assume any responsibility or obligation for not having conducted any verification or validation regarding the accuracy, validity and the feasibility of such prepositions and hypotheses.

### ***Financial Analyses of Panasonic IS's Financial Advisor***

The following is a summary of the material financial analyses contained in the Valuation Report. The following summary, however, does not purport to be a complete description of the financial analyses performed



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by SMBC Nikko, and is qualified in its entirety by Appendix B. In addition, the order of analyses described below does not purport to represent the relative importance or weight given to those analyses by SMBC Nikko. The financial analyses summarized below include information presented in tabular format, which must be read together with the full text of the summary. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before February 2, 2015 and is not necessarily indicative of current market conditions. With Panasonic IS's consent, SMBC Nikko used the market price analysis to evaluate Panasonic shares and used the market price analysis, the comparable companies analysis and the discounted cash flow analysis to evaluate Panasonic IS shares.

*Market Price Analysis*

In conducting the market price analysis, SMBC Nikko set February 2, 2015 as the reference date and used the simple average closing share prices of Panasonic IS and Panasonic during the following three periods, in each case ending with the reference date: (i) the most recent six business days (the period commencing on January 26, 2015, the first business day following Panasonic IS's announcements of its financial results for the third quarter of the fiscal year ending March 31, 2015), (ii) the most recent month and (iii) the most recent three months.

The results of the analysis were as follows:

	Exchange ratio
	per Panasonic IS share
6 business days (January 26, 2015 – February 2, 2015)	2.20
1 Month	2.20
3 Months	2.14

As a result of this analysis, the range of implied exchange ratios per share of Panasonic IS was calculated to be 2.14 to 2.20.

*Comparable Companies Analysis*

In conducting the comparable companies analysis to evaluate Panasonic IS shares, SMBC Nikko selected comparable companies by conducting analyses of the industry, followed by the screening of candidate companies and interviews with Panasonic IS, and compared the multiple ratio of enterprise value ( EV ) to projected earnings before interest, depreciation and amortization ( EBITDA ).

Publicly listed companies that SMBC Nikko selected for the comparable companies analysis are as follows:

DTS CORPORATION;

KANEMATSU ELECTRONICS LTD.;

INFOCOM CORPORATION;

Future Architect, Inc.; and

Saison Information Systems Co., Ltd..

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In this analysis, SMBC Nikko analyzed the ratio of enterprise value, calculated as the market capitalization plus debt less cash and cash equivalents, to the estimated fiscal years ending March 31, 2015 and 2016, or for the fiscal years ended December 31, 2014 and ending in December 31, 2015 earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, for each of the selected companies. The multiples and ratios for each of the selected companies were based on market data as of February 2, 2015 and financial data as of or for the fiscal period ended September 30, 2014. The multiples for each of the selected companies were calculated using estimates prepared by Toyokeizai.

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Based on an analysis of the relevant metrics for each of the selected companies, SMBC Nikko selected reference ranges of EBITDA multiples of 2.7 to 3.7x for the estimated fiscal year ending March 31, 2015, and 2.5 to 3.5x for the estimated fiscal year ending March 31, 2016. SMBC Nikko calculated ranges of implied values for Panasonic IS shares by applying these ranges of multiples to the estimated fiscal year 2015 and 2016 EBITDA for Panasonic IS, prepared by its management that Panasonic IS approved for SMBC Nikko's use for purposes of its analysis.

The results of the analysis were as follows:

	<b>Exchange ratio per Panasonic IS share</b>
EBITDA Multiple (fiscal year ending March 31, 2015)	2.37-2.93
EBITDA Multiple (fiscal year ending March 31, 2016)	2.33-2.91

As a result of this analysis, the range of implied exchange ratios per share of Panasonic IS was calculated to be 2.33 to 2.93.

*Discounted Cash Flow Analysis*

In conducting the discounted cash flow analysis, SMBC Nikko evaluated the Panasonic IS shares by discounting the cash flow based on Panasonic IS's financial forecasts for the fiscal years ending March 31, 2015 and March 31, 2018, which SMBC Nikko received from Panasonic IS on November 28, 2014, to the present value at the discount rates between 6.51 to 7.51 %. SMBC Nikko adopted two further assumptions for purposes of calculating the terminal value, i.e. the perpetual growth rate method and the multiple method. The perpetual growth rate method is based on the assumption that the income or cash in-flow in the last year of the projection period shall be sustained in perpetuity, while the multiple method uses the EV/EBITDA multiple, calculated on a market-price basis using EBITDA during the period of projection. For the perpetual growth rate method, SMBC Nikko applied perpetual growth rate of 0.00 %, and for the multiple method, SMBC Nikko applied EV/EBITDA multiples of 2.7 to 3.7x.

The results of the analysis were as follows:

	<b>Exchange ratio per Panasonic IS share</b>
Perpetual Growth Rate Method	3.69-4.32
Multiple Method	2.40-2.95

The discounted cash flow analysis resulted in a range of implied exchange ratios per Panasonic IS share of 2.40 to 4.32.

*Response to Referral to Third-party Committee*

On December 18, 2014, Panasonic IS established a third-party committee, or the Third-Party Committee, in order to prevent the development of circumstances under which the Share Exchange is implemented under terms and conditions that are disadvantageous to the minority shareholders of Panasonic IS. The Third-Party Committee consisted of three members: Mr. Kunio Miura (an attorney at Kawamoto Miura Law Office) and Mr. Naoki Yamashita (a certified public accountant at Yamashita CPA and Tax Accountant Office) both of whom are independent and outside experts having no interest in Panasonic, the controlling shareholder of Panasonic IS as well as Mr. Makoto Iwahashi, an outside audit & supervisory board member and independent director/auditor of Panasonic IS. In examining the Share Exchange, Panasonic IS referred the following items to the Third-Party Committee and requested their opinion with respect to whether: (a) the purpose of the Share Exchange is reasonable, (b) the terms and conditions of the Share Exchange are appropriate, (c) the interests of



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the minority shareholders of Panasonic IS are fully considered, using fair procedures and (d) based on the foregoing, Panasonic IS's decision to implement the Share Exchange would be disadvantageous to the minority shareholders of Panasonic IS.

From December 18, 2014 to February 3, 2015, the Third-Party Committee carefully reviewed the matters referred to it by holding eight meetings in total, as well as by gathering information and consulting with each other whenever necessary. In conducting their examination, the Third-Party Committee received an explanation from Panasonic IS concerning the purpose of, and background leading to, the Share Exchange, the details of its corporate value, and the process of negotiation for, and determination of, the terms and conditions of the Share Exchange, including the share exchange ratio, and an explanation from SMBC Nikko Securities concerning the valuation of the share exchange ratio in the Share Exchange. In addition, the Third-Party Committee also received an explanation from OH-EBASHI LPC & PARTNERS, the legal advisor to Panasonic IS, concerning the decision making method and procedures implemented by the Board of Directors of Panasonic IS with respect to the Share Exchange. The Third-Party Committee submitted a response to the items referred to it, or the Response to Referral to Third-Party Committee, on February 3, 2015 to the Board of Directors of Panasonic IS to the effect that there are no circumstances in which the resolution by the Board of Directors of Panasonic IS to implement the Share Exchange should be thought to be materially disadvantageous to the minority shareholders of Panasonic IS, on the basis of the explanations, calculation results and other materials reviewed by the Third-Party Committee. The English Translation of the Response to Referral to Third-Party Committee is attached as Appendix C.

### **Structure of the Share Exchange**

The Share Exchange is expected to become effective on August 1, 2015. Under the terms of the Share Exchange approved by the boards of directors of Panasonic and Panasonic IS, the following events will occur upon the effectiveness of the Share Exchange:

Shareholders of Panasonic IS's common stock (other than Panasonic IS, with respect to its treasury shares, which will be cancelled, and Panasonic, with respect to shares of Panasonic IS owned by it) as of the moment immediately preceding the Share Exchange will be allotted shares of Panasonic's common stock in amounts based on the ratio of 2.5 Panasonic shares for one Panasonic IS share, such amount (excluding any fraction of a share) to be reflected in Panasonic's register of shareholders; and

Any fraction of a share of Panasonic's common stock that would otherwise be allotted to former shareholders of Panasonic IS will instead be cashed out as described in more detail below.

In accordance with the Companies Act, Panasonic IS shareholders will not receive any fractions of a share of Panasonic's common stock in the Share Exchange. Instead, the shares representing the aggregate of all such fractions (in the case where such aggregated shares still include any fraction less than one share, such fraction shall be rounded off) will be sold in the Japanese market or sold to Panasonic and the net cash proceeds from the sale will be distributed to the former holders of Panasonic IS shares on a proportionate basis in accordance with their respective fractions.

If a material change occurs in the financial condition or results of operations of Panasonic as a result of any natural disaster or any other event during the period from the date of the Share Exchange Agreement until the effective date of the Share Exchange, Panasonic and Panasonic IS may, by resolutions of their respective boards of directors, amend the terms and conditions of the Share Exchange or terminate the Share Exchange Agreement.

### **Conditions to the Share Exchange**

The Share Exchange can be completed only if certain conditions which will be specified in the Share Exchange Agreement are satisfied. Such conditions will include the following:

Under the Companies Act, the Share Exchange Agreement must be approved at the general meeting of shareholders of Panasonic IS.

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### **Description of Material Share Exchange Terms**

#### ***Panasonic IS Voting Matters***

The close of business on March 31, 2015 is the record date for determination of the holders of Panasonic IS's common stock entitled to exercise shareholders' rights at Panasonic IS's annual general meeting. As of March 31, 2015, there were 10,655,628 shares of Panasonic IS's common stock issued and outstanding. See "General Meeting of Panasonic IS Shareholders" for a more detailed description of the vote required, and the use and revocation of mail-in-ballots or electronic vote, at the general meeting of shareholders.

#### ***Payment of Dividends from Surplus by Panasonic IS***

Panasonic IS may make payments of dividends from surplus to its shareholders or registered stock pledgees entered or recorded on its final register of shareholders at the close of March 31, 2015 up to the amount of 32.5 yen per share, 346,320,000 yen in the aggregate.

#### ***Dissenters' Appraisal Rights***

Any Panasonic IS shareholder (i) who notifies Panasonic IS prior to the general meeting of shareholders of his or her intention to oppose the Share Exchange, and who votes against approval of the Share Exchange at the general meeting, or (ii) who is not entitled to vote at such general meeting of shareholders, and complies with the other procedures set forth in the Companies Act and share handling regulations of Panasonic IS (a "dissenting shareholder") may demand that Panasonic IS purchase his or her shares of Panasonic IS's common stock at the fair value. The failure of a shareholder who is entitled to vote at such general meeting of shareholders to provide such notice prior to the general meeting or to vote against approval of the Share Exchange at the general meeting will in effect constitute a waiver of the shareholder's right to demand that Panasonic IS purchase his or her shares of common stock at the fair value. The dissenting shareholder who has made such demand may withdraw such demand only if Panasonic IS approves such withdrawal.

Panasonic IS will give public notice to its shareholders announcing that Panasonic IS intends to perform the Share Exchange and providing the name and address of Panasonic, no later than 20 days prior to the effective date of the Share Exchange (such public notice may be made prior to the date of the general meeting of shareholders). The demand referred to in the preceding paragraph must be made during the period from the day 20 days prior to the effective date of the Share Exchange to the date immediately preceding the effective date of the Share Exchange and should state the number of shares relating to such demand. The Companies Act does not require any other statement in the demand. If the value of such shares is agreed upon between the dissenting shareholder and Panasonic IS, then Panasonic IS is required to make payment to such dissenting shareholder of the agreed value within 60 days of the effective date of the Share Exchange. If the dissenting shareholder and Panasonic IS do not agree on the value of such shares within 30 days from the effective date of the Share Exchange, the shareholder or Panasonic IS may, within 30 days after the expiration of such period, file a petition with the Osaka District Court for a determination of the value of his or her shares. Panasonic IS is also required to make payment of statutory interest on such share value as determined by the court accruing from the expiration of the 60-day period referred to in the second preceding sentence. The transfer of shares will become effective on the effective date of the Share Exchange.

Dissenters' appraisal rights for shareholders of a company becoming a wholly-owned subsidiary through a Share Exchange are set forth in Articles 785 and 786 of the Companies Act. An English translation of these articles is included in this prospectus as Appendix D.

#### **Status of Panasonic's Common Stock under the Federal Securities Laws**

The transfer of shares of Panasonic's common stock in connection with the Share Exchange to United States holders of Panasonic IS's common stock has been registered under the United States Securities Act of 1933, or

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the Securities Act. Accordingly, there will be no restrictions under the Securities Act upon the resale or transfer of such shares by United States shareholders of Panasonic IS except for those shareholders, if any, who are deemed to be affiliates of Panasonic, as such term is used in Rule 144 and Rule 145 under the Securities Act. Persons who may be deemed to be affiliates of Panasonic generally include individuals who, or entities that, directly or indirectly control, or are controlled by or are under common control with, Panasonic. With respect to those shareholders who may be deemed to be affiliates of Panasonic, Rule 144 and Rule 145 place certain restrictions on the offer and sale within the United States or to United States persons of Panasonic's common stock that may be received by them pursuant to the Share Exchange. This prospectus does not cover resales of shares of Panasonic's common stock received by any person who may be deemed to be an affiliate of Panasonic.

## **Accounting Treatment**

Panasonic IS was a consolidated subsidiary of Panasonic prior to the Share Exchange as Panasonic had a controlling financial interest. Since the changes in Panasonic's ownership interest do not result in a loss of control of Panasonic IS, the Share Exchange will be accounted for by Panasonic in accordance with ASC 810 Consolidation. Under this U.S. GAAP guidance, changes in Panasonic's ownership interest while Panasonic retains its controlling financial interest in Panasonic IS will be accounted for as equity transactions. There will be no gain or loss recognition in the consolidated statements of operations and comprehensive income (loss) of Panasonic and the carrying amount of the noncontrolling interest shall be adjusted to reflect the change in Panasonic's ownership interest in Panasonic IS. Any difference between the fair value of the consideration paid by Panasonic and by which the noncontrolling interest is adjusted shall be recognized in Panasonic's shareholders equity caption in Panasonic's consolidated balance sheets.

## **Differences in Shareholders' Rights**

There are no material differences between or among the rights of shareholders of Panasonic's common stock and Panasonic IS's common stock from a legal perspective.

## **Tax Consequences of the Share Exchange**

Based on certain assumptions and subject to certain limited exceptions, the Share Exchange is expected to be a tax-free transaction for Japanese tax purposes for holders of Panasonic IS's common stock who will be allotted shares of Panasonic's common stock. As such, non-resident holders of shares of Panasonic IS's common stock will generally not recognize any gains or losses for Japanese tax purposes at the time of the Share Exchange. See Taxation Japanese Tax Consequences Consequences of the Share Exchange for further discussion.

Panasonic intends to take the position that the Share Exchange constitutes for U.S. federal income tax purposes a reorganization within the meaning of Section 368(a) of the Code. As a result, subject to certain exceptions, the exchange of shares of Panasonic IS's common stock for shares of Panasonic's common stock will be tax-free to U.S. Holders as defined in Taxation Material U.S. Federal Income Tax Consequences included elsewhere in this prospectus. For further discussion, see Taxation Material U.S. Federal Income Tax Consequences.

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**Business of Panasonic**

**History and Development of Panasonic**

Panasonic (Address: 1006, Oaza Kadoma, Kadoma City, Osaka 571-8501, Japan. Phone: +81-6-6908-1121/Agent: Mr. Shinji Kasayama, General Manager of Panasonic Corporation of North America) was incorporated in Japan on December 15, 1935 under the laws of Japan as Matsushita Denki Sangyo Kabushiki Kaisha as the successor to an unincorporated enterprise founded in 1918 by the late Konosuke Matsushita. Mr. Matsushita led Panasonic with his corporate philosophy of contributing to the peace, happiness and prosperity of humankind through the supply of quality consumer electric and electronic goods. Panasonic's business expanded rapidly with the recovery and growth of the Japanese economy after World War II, as it met rising demand for consumer electric and electronic products, starting with washing machines, black-and-white TVs and refrigerators. During the 1950s, Panasonic expanded its operations by establishing mass production and mass sales structures to meet increasing domestic demand, while also creating subsidiaries, making acquisitions and forming alliances. During the 1960s, Panasonic expanded its overseas businesses, and its products started obtaining worldwide recognition.

During the global recession caused by the first oil crisis in 1973, Panasonic strengthened its structure and overseas business relations. The advent and popularity of the video cassette recorder, or VCR, from the late 1970s enabled Panasonic to receive worldwide recognition as a global consumer electronics manufacturer. In the 1980s, Panasonic further worked to evolve from a consumer products manufacturer to a comprehensive electronics products manufacturer, expanding its business in the areas of information and communications technology, industrial equipment and components and devices. Since the 1990s, Panasonic has been emphasizing technological development and the use of advanced technology in every phase of life. In particular, Panasonic has been expanding its development activities in such areas as next-generation audiovisual, or AV equipment, multimedia products, and advanced electronic components and devices, many of which incorporate digital technology.

In June 1995, Panasonic sold an 80% equity interest in MCA (currently Universal Studios, Inc.) which Panasonic purchased in December 1990, to The Seagram Company Ltd. (currently Vivendi Universal S.A.) for approximately \$5.7 billion, leaving Panasonic with a minority interest. In February 2006, Panasonic sold the remaining shares to Vivendi Universal S.A.

In April 2000, Panasonic made two of its majority-owned subsidiaries, Matsushita Refrigeration Company and Wakayama Precision Company, into wholly-owned subsidiaries by means of share exchanges. As a result of the share exchanges, Panasonic issued 16,321,187 shares of its common stock to shareholders of the respective companies.

Also in April 2000, Panasonic established CISC as an internal divisional company by consolidating and organizing existing internal system engineers. Since its establishment, CISC has handled the construction and operation of IT networks and management systems for the Panasonic group. In particular, CISC has performed a significant role in connecting the IT functions of the Panasonic group through the construction and operation of such as the Panasonic Treasury System, the Corporate Supply Chain Management System and global IT network.

In April 2001, Panasonic absorbed Matsushita Electronics Corporation, its wholly-owned subsidiary, by merger to implement unified operational management in such key device areas as semiconductors and display devices.

In April 2002, Panasonic and Toshiba Corporation or Toshiba, separated their respective liquid crystal display, or LCD, panel operations and established a joint venture company, Toshiba Matsushita Display Technology Co., Ltd., or TMD, for the development, manufacture and sale of LCD panels and next-generation display devices. Of the new company's initial stated capital of 10 billion yen, 60% was invested by Toshiba and 40% by Panasonic.

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As a drastic structural reform aimed at achieving new growth, Panasonic implemented share exchanges on October 1, 2002 with five of its majority-owned subsidiaries (Matsushita Communication Industrial Co., Ltd., Kyushu Matsushita Electric Co., Ltd., Matsushita Seiko Co., Ltd., Matsushita Kotobuki Electronics Industries, Ltd. and Matsushita Graphic Communication Systems, Inc.) and transformed them into wholly-owned subsidiaries of Panasonic.

As an extension of this group-wide reorganization, Panasonic transformed two of its majority-owned subsidiaries, Matsushita Electronic Components Co., Ltd. and Matsushita Battery Industrial Co., Ltd., into wholly-owned subsidiaries via share exchanges, effective April 1, 2003.

Upon the aforementioned group-wide restructurings, in April 2003, to prepare a framework that enables each business domain company to implement autonomously responsible management, Panasonic established a new global consolidated management system that focuses on capital efficiency and cash flows.

Also on April 1, 2003, Panasonic launched another joint venture company with Toshiba, upon separating their respective cathode ray tube, or CRT, businesses with the exception of domestic CRT manufacturing operations. Panasonic formerly accounted for the investment in the new company, Matsushita Toshiba Picture Display Co., Ltd., or MTPD, and its subsidiaries under the equity method, and began to consolidate MTPD on March 1, 2006 in accordance with Financial Accounting Standards Board, or FASB, Interpretation No.46 (revised December 2003), Consolidation of Variable Interest Entities (FIN 46R), as a result of certain restructuring activities of MTPD. On March 31, 2006, Panasonic had a 64.5% equity interest in MTPD. On March 30, 2007, Panasonic acquired the remaining 35.5% equity interest in MTPD from Toshiba and MTPD was renamed MT Picture Display Co., Ltd.

In April 2003, Panasonic announced that it would position the Panasonic brand as a globally unified brand for overseas markets under the global brand slogan of "Panasonic ideas for life." This new brand strategy conveys to customers all over the world a new image for Panasonic and its products, while further enhancing brand value.

In December 2003, Panasonic reached a basic agreement regarding a comprehensive business collaboration with its affiliate, Matsushita Electric Works, after which Panasonic initiated a tender offer for additional shares of Matsushita Electric Works. As a result of the tender offer in which Panasonic acquired an additional 140,550 thousand shares of common stock of Matsushita Electric Works at the total cost of 147 billion yen, Matsushita Electric Works, PanaHome Corporation and their respective subsidiaries became consolidated subsidiaries of Panasonic in April 2004. Through the acquisition of Matsushita Electric Works, Panasonic IS became a consolidated subsidiary of Panasonic, as Matsushita Electric Works had a 63.69% equity interest in Panasonic IS at the time of the acquisition. For fiscal 2005, Panasonic and Matsushita Electric Works integrated overlapping businesses in the area of electrical supplies, building materials and equipment, home appliances and industrial equipment, and reformed distribution channels to establish an optimized, customer-oriented operational structure. In fiscal 2006, Panasonic leveraged the strengths of both companies to achieve sales increases in "Collaboration V-products" including bathroom systems, modular kitchens and air purifiers.

In fiscal 2005, as part of business restructuring of Panasonic's group companies, power distribution equipment and monitoring and control system operations of Matsushita Industrial Information Equipment Co., Ltd., or MIIE, were transferred to Panasonic Electric Works Co., Ltd., or PEW, while MIIE's information machine business was shifted to Panasonic Communications Co., Ltd. Subsequently, MIIE was absorbed by Panasonic in April 2005, and no longer operates as a separate entity.

In July 2007, each of Victor Company of Japan, Limited, or JVC, a consolidated subsidiary of Panasonic, KENWOOD and SPARX International (Hong Kong) Limited, an investment management company which belongs to a group of companies headed by SPARX Group Co., Ltd. adopted resolutions for, or affirmed, JVC's issuance of 107,693,000 new shares of its common stock through third party allotments, and the new shares were subscribed by KENWOOD and the several investment funds managed by SPARX International (Hong Kong)

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Limited. JVC issued and allocated the new shares to KENWOOD and the SPARX funds on August 10, 2007. As a result, Panasonic's shareholding in JVC decreased from 52.4% to 36.8%, and JVC became an associated company under the equity method from a consolidated subsidiary in the second quarter of fiscal 2008.

In February 2008, Panasonic finalized a definitive agreement with Hitachi, Ltd. related to comprehensive LCD panel business alliance under which it would acquire a majority voting interest in IPS Alpha Technology, Ltd., or IPS Alpha, which was owned by Hitachi Displays, Ltd. once certain conditions are satisfied. As a result, IPS Alpha became a consolidated subsidiary of Panasonic on March 31, 2008, in accordance with FIN 46R.

In April 2008, Matsushita Refrigeration Company was absorbed, and in October 2008, Matsushita Battery Industrial Co., Ltd. was absorbed, by Panasonic.

On October 1, 2008, Panasonic changed its name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation and its ticker symbol on the New York Stock Exchange from MC to PC.

On October 1, 2008, JVC and Kenwood integrated management by establishing JVC KENWOOD Holdings, Inc., or JVC KENWOOD HD, through a share transfer. Panasonic has 24.4% of total issued shares of JVC KENWOOD HD.

On December 19, 2008, Panasonic and SANYO Electric Co., Ltd., or SANYO, entered into the capital and business alliance agreement. Panasonic aimed to acquire the majority of the voting rights of SANYO assuming full dilution (which takes into account conversion of Class A preferred stock and Class B preferred stock into common stock) by means of a public tender offer bid. Panasonic and SANYO formed a close alliance in business with the prospect of organizational restructurings of both companies.

In April 2009, Toshiba acquired all of Panasonic's shares in TMD, a joint venture that develops, manufactures and sells liquid crystal displays, or LCDs, and organic light emitting displays, or OLEDs.

In December 2009, Panasonic completed acquisition of a majority of the voting stock of SANYO. With this acquisition, SANYO and its subsidiaries became consolidated subsidiaries of Panasonic.

In January 2010, Panasonic transferred the rights and obligations with respect to the business of System Solutions Company, its internal divisional company, to Panasonic Communications Co., Ltd., its wholly-owned subsidiary, through a company split.

In April 2010, Panasonic reorganized and integrated the Home Appliance and Automotive Motor, and Industrial Motor businesses into the Home Appliances Company. Panasonic also transferred the Information Equipment Motor Business to Minebea Motor Manufacturing Corporation. Therefore, these businesses were transferred from Motor Company, and Motor Company was subsequently dissolved.

In June 2010, Panasonic, Hitachi, Ltd. and Hitachi Displays announced that Hitachi Displays would conduct a corporate split to establish IPS Alpha Support Co., Ltd. or IPS Alpha Support. IPS Alpha Support would assume Hitachi Displays' entire shareholding of 50.02% shares of IPS Alpha. In addition, Hitachi Displays transferred 94% shares of IPS Alpha Support to Panasonic, and 6% shares to Hitachi, Ltd. As a result of these transactions, Panasonic effectively acquired 47.02% shares of IPS Alpha. Adding to its existing shareholding of 44.98%, Panasonic had an effective investment in IPS Alpha of 92%. Subsequently, IPS Alpha changed its company name to Panasonic Liquid Crystal Co., Ltd., and took over IPS Alpha Technology, Himeji, Ltd. and IPS Alpha Support in October 2010.

In July 2010, Panasonic announced a plan to turn PEW and SANYO, which were both consolidated subsidiaries, into wholly-owned subsidiaries through simultaneous first-step tender offers and subsequent share exchanges.

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In October 2010, Panasonic completed its tender offers for shares of PEW and SANYO that it did not already own and, as a result, Panasonic's shareholdings of PEW and SANYO increased to approximately 84% and 81% of the total voting rights, respectively.

In December 2010, Panasonic and each of PEW and SANYO resolved to conduct share exchanges in order to make Panasonic a wholly-owning parent company, and PEW and SANYO wholly-owned subsidiaries, at a meeting of each respective company's board of directors. The share exchange agreements were executed between Panasonic and PEW, and between Panasonic and SANYO. After related procedures, PEW and SANYO became wholly-owned subsidiaries of Panasonic on April 1, 2011.

In January 2011, JVC KENWOOD HD and its consolidated subsidiaries ceased to be an associated company of Panasonic under the equity method as the ownership percentage of Panasonic in JVC KENWOOD HD fell due to JVC KENWOOD HD's issuance of new shares and disposition of treasury shares through an international offering.

In April 2011, Panasonic integrated the operations of System Networks Company of Panasonic, which had a competitive advantage in the visual and fixed communication equipment business field, and Panasonic Mobile Communications Co., Ltd., which had a competitive advantage in the mobile communication business field. In line with this integration, Panasonic dissolved System Networks Company to establish Systems & Communications Company. Panasonic intends to achieve further growth in the BtoB (business-to-business) systems business field, in which Visual, communication and IT systems are being integrated.

Panasonic restructured its group organization into three business fields, comprising a total of nine business domains and one marketing sector on January 1, 2012.

On January 1, 2012, Panasonic absorbed PEW.

Panasonic reached a final agreement on March 5, 2012, following a basic agreement on November 15, 2011 with Innovation Network Corporation of Japan regarding the transfer of the Mobarra plant of Panasonic Liquid Crystal Display Co., Ltd., a subsidiary of Panasonic, to Japan Display Inc. and executed the transfer in April 2012.

On April 1, 2012, Panasonic absorbed Panasonic Electronic Devices Co., Ltd., or PED, a wholly-owned consolidated subsidiary of Panasonic, and Panasonic Electronic Devices Japan Co., Ltd., a wholly-owned subsidiary of PED.

On June 27, 2012, Kazuhiro Tsuga became President of Panasonic.

In October 2012, Panasonic established the Corporate Strategy Head Office which is responsible for formulating and promoting group-wide strategies and other matters from the perspective of an investor.

In March 2013, Panasonic System Solutions Japan Co., Ltd., or PSSJ, a wholly-owned consolidated subsidiary of Panasonic, absorbed Panasonic System Networks Co., Ltd., or PSN, a wholly-owned consolidated subsidiary of Panasonic, and Panasonic System Solutions Infrastructure Co., Ltd., a wholly-owned subsidiary of PSN. PSSJ was renamed as Panasonic System Networks Co., Ltd.

In April 2013, Panasonic constructively dissolved its business domain companies system and transitioned to a new basic group structure based on a business division system. In addition, Panasonic established four Divisional Companies (Appliances, Eco Solutions, AVC Networks and Automotive & Industrial Systems) to which each business division reports.

In April 2013, Panasonic absorbed Panasonic Mobile Communications Co., Ltd, or PMC, a wholly-owned consolidated subsidiary of Panasonic, subsequent to carrying out the incorporation-type company split of the mobile phone terminal business of PMC and transferring mobile phone base station business to Panasonic System Networks Co., Ltd. through a corporate split.

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On April 22, 2013, Panasonic's delisting from the New York Stock Exchange became effective prior to the opening of trading for the day in the U.S.

In March 2014, Panasonic transferred all of the shares and other related assets of Panasonic Healthcare Co., Ltd., a consolidated subsidiary of Panasonic to PHC Holdings Co., Ltd., or PHCHD, a company affiliated with investment funds advised by Kohlberg Kravis Roberts & Co. L.P., and subscribed 20% of the shares of PHCHD.

On February 3, 2015, the board of directors of Panasonic resolved to conduct a share exchange in order to make Panasonic IS, which is currently a consolidated subsidiary of Panasonic, a wholly-owned subsidiary of Panasonic. The Share Exchange Agreement between Panasonic and Panasonic IS has been executed. The Share Exchange is scheduled to become effective on August 1, 2015.

**Capital Investment**

Total capital investment amounted to 217 billion yen, 311 billion yen and 334 billion yen for fiscal 2014, 2013 and 2012, respectively. During fiscal 2014, principal capital investments consisted of solar modules manufacturing facilities in Malaysia and manufacturing facilities for portable rechargeable batteries mainly used for vehicles in Japan. During fiscal 2013, principal capital investments were directed to solar cell manufacturing facilities in Malaysia, rechargeable batteries manufacturing facilities in China, and facilities related to organic LED panels in Japan. During fiscal 2012, principal capital investments were directed mainly to solar cell and rechargeable battery manufacturing facilities in Japan and facilities in Taiwan that manufacture electronic components for highly functional terminals including smartphones. For a reconciliation of capital investment to the most directly comparable U.S. GAAP financial measures, see Panasonic Management's Discussion and Analysis of Financial Condition and Results of Operations Operating results Key performance indicators included elsewhere in this prospectus.

In these years, Panasonic has been curbing capital investment in a number of business areas, in line with an increased management emphasis on cash flows and capital efficiency. While paying attention to risk factors, Panasonic intends to take business opportunities and invest in the areas in which growth is expected, such as rechargeable battery manufacturing facilities for vehicles.

**Business Overview****Sales by Segment**

Panasonic is engaged in the production and sales of electronic and electric products in a broad array of business areas. Based on its business division system organized under four Divisional Companies, Panasonic divides its businesses into five segments: Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, and Other. The following table sets forth Panasonic's sales breakdown by business segment for the last three fiscal years:

	Yen (billions) (%)				
	2014		2013		2012
Appliances	1,777	2%	1,735	(17)%	2,078
Eco Solutions	1,674	11	1,508	1	1,498
AVC Networks	1,153	(3)	1,187	(15)	1,393
Automotive & Industrial Systems	2,722	7	2,542	(2)	2,605
Other	891	(3)	917	(28)	1,282
Eliminations and adjustments	(481)		(585)		(1,008)
<b>Total</b>	<b>7,737</b>	<b>6%</b>	<b>7,303</b>	<b>(7)%</b>	<b>7,846</b>

Note: Percentages above reflect the changes from the previous year.



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### Appliances

Appliances centers on the development, manufacture and sales of consumer electronics (flat panel TVs, home audio equipment, video equipment, refrigerators, microwave ovens, rice cookers, washing machines, vacuum cleaners, personal-care products, etc.), air-conditioners (room air-conditioners, large-sized air-conditioners, etc.), cold chain (showcases, etc.), devices (compressors, electric motors\*, fuel cells, etc.) and bicycle-related products.

In fiscal 2014, although the Air-Conditioner business suffered falls in sales in China, where there were inventories in excess of market demand, and Europe, where the economy was in recession, sales in this business were favorable due mainly to sales growth in Japan and other areas of Asia.

Sales of the Laundry Systems and Vacuum Cleaner business increased due to the positive impact of the depreciation of the yen, despite weak growth mainly reflecting intensified competition in the washing machines business in Asia.

In regards to the Kitchen Appliances business, sales of induction heating, or IH, cooking equipment, dish washer/dryers and rice cookers were strong, particularly in Japan.

In regards to the Refrigerators business, in Japan glass door models were well-received while sales expanded due to extremely hot summer conditions and a surge in consumer spending before the Japanese consumption tax hike, and sales were strong as a result.

\* As of April 1, 2015, electric motors was moved to the Automotive & Industrial Systems segment.

### Eco Solutions

Eco Solutions centers on the development, manufacture and sales of lighting fixtures, electric lamps (including LED lighting), wiring devices, solar photovoltaic systems, interior furnishing materials, water-related products, ventilation and air-conditioning equipment, and air purifiers, among other products.

In fiscal 2014, for the Housing Systems business, there were strong sales of water-related products such as modular kitchen systems as well as interior furnishing materials and exterior construction materials. The strong sales reflected increased activity in the domestic market.

In regards to the Energy Systems business, sales increased primarily for solar photovoltaic systems, wiring devices and distribution panel boards, while sales of home energy management system products were also strong. Outside Japan, there was growth in sales of wiring devices and circuit breakers in China and India.

In regards to the Lighting business, sales grew in Japan on the back of an expansion of the LED lighting product lineup. Outside Japan, sales of residential lighting were strong in China.

In regards to the business of Panasonic Ecology Systems Co., Ltd., in Japan, sales of air purifiers declined but sales of ventilation fans and others were firm. Outside Japan, sales of air purifiers grew in China and sales of ventilation fans grew in the Middle East, North America, and Central and South America.

### AVC Networks

AVC Networks is comprised of a visual and imaging business (surveillance cameras, projectors, digital cameras, etc.), a mobility business (PCs, etc.), a communication business (IP-related equipment, etc.) and a vertical solution business (aircraft in-flight entertainment systems, social infrastructure systems equipment, etc.).

In fiscal 2014, for the Avionics business, sales of BtoB (business-to-business) businesses, such as aircraft in-flight entertainment systems, grew, due mainly to the positive impact of the depreciation of the yen.

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Sales of the IT Products business were strong due mainly to increased sales of notebook PCs for corporate use in Europe and Japan, and the positive impact of the depreciation of the yen.

Sales of the Security Systems business were boosted by strong sales of products and services tailored to the needs of corporate customers, such as surveillance cameras.

**Automotive & Industrial Systems**

Automotive & Industrial Systems centers on the development, manufacture and sales of automotive related products (car-use-multimedia-related equipment, electrical components, etc.), industrial related devices (electronic components, electronic materials, automation controls, semiconductors, optical devices, dry batteries, lithium-ion batteries, storage batteries, etc.) and manufacturing related systems (electronic-component-mounting machines, welding equipment, etc.).

In fiscal 2014, sales of the Automotive Infotainment Systems business grew substantially on the back of strong sales of display-audio systems in the European and U.S. markets and the Chinese market, and growth in sales of car navigation systems through car dealers in Japan.

Sales of the Portable Rechargeable Battery business increased in line with steady deliveries of lithium-ion batteries for power supply to U.S. electric vehicle manufacturers.

Sales of the Automation Controls business were firm on the back of growth in sales of products including car relays for hybrid vehicles and electric vehicles, and industrial devices to assist with energy saving and automation at factories.

**Other**

Other consists of PanaHome Corporation and other businesses.

In fiscal 2014, at PanaHome Corporation, the Custom-built Detached Housing Business promoted sales of housing with roofing composed of photovoltaic panels, while the Property Development Business developed a town that is self-sufficient in energy and completed a large-scale smart condominium development, and these operations contributed to PanaHome Corporation's strong sales.

**Marketing Channels**

The table below shows a breakdown of Panasonic's net sales by geographical area for the periods indicated:

	Yen (billions) (%)					
	2014		2013		2012	
Japan	3,898	50%	3,790	52%	4,162	53%
North and South America	1,135	14	1,022	14	967	12
Europe	740	10	666	9	744	10
Asia and Others	1,964	26	1,825	25	1,974	25
Total	7,737	100%	7,303	100%	7,846	100%

**Sales and Distribution**

Panasonic implements sales activities based on the basic policy that each business division takes responsibility for its businesses. Sales channels in Japan and overseas are established according to the types of products and customers served in each region. In each case, business divisions respond to customers' specific and ever-diversifying needs by staying close to respective customers.

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### **Sales and Distribution in Japan**

Consumer products developed and manufactured mainly by Appliances Company are coordinated, primarily, by the business divisions, and mainly sold to mass-merchandisers through sales subsidiaries.

Housing-related products developed and manufactured mainly by Eco Solutions Company are coordinated, primarily, by the business divisions and Marketing Division of the Eco Solutions Company, and sold through agencies and sales subsidiaries.

BtoB (business-to-business) products and services developed and manufactured by AVC Networks Company are coordinated, primarily, by the business divisions of AVC Networks Company and the business divisions of the System Solutions Company which is an internal company of Panasonic System Networks Co., Ltd., and sold to customers, such as retail distributors, logistics service providers and public institutions, through subsidiaries of the AVC Networks Company.

Automotive-related products, general electronic components and devices developed and manufactured mainly by the Automotive & Industrial Systems Company are coordinated, primarily, by the Industrial Marketing & Sales Division and the Automotive Marketing & Sales Division of the Automotive & Industrial Systems Company, and sold directly, or through independent agents, to manufacturers.

### **Sales and Distribution Overseas**

Overseas sales represented approximately 50% of Panasonic's total consolidated sales in fiscal 2014.

Marketing and sales of consumer products are coordinated primarily by business divisions and sales companies in each country and region. Sales of BtoB (business-to-business) products and services are coordinated primarily by business divisions, Divisional Companies and overseas sales subsidiaries under Divisional Companies.

In some countries, however, marketing and sales are handled through independent agents or distributors, depending on regional characteristics. Additionally, certain products are also sold on an original equipment manufacturer, or OEM, basis and marketed under the brand names of third parties.

Overseas operations are expected to serve as a growth engine for the entire Panasonic group. Panasonic categorizes the world into global regions consisting of Japan, Americas/EU and Strategic Regions including East Asia, South East Asia, the Middle East and Africa, and has been developing strategies to increase sales. In April 2014, Panasonic established the Strategic Regions Business Promotion Division to promote business opportunities in Strategic Regions overseas where growth potential is particularly high, and delegated authority to an executive vice president stationed in Delhi, India, stationing a representative director of Panasonic outside Japan for the first time.

### ***Customers***

Panasonic is pursuing a Better Life, a Better World for its customers while carrying forward the Company's core DNA of consumer electronics. The scope of the Company's activities has expanded into such wide-ranging areas as the BtoB (business-to-business) business including the housing, automotive, BtoB solutions, and devices fields. More than 70% of Panasonic's total net sales are derived from areas outside consumer electronics as of fiscal 2014. Panasonic's business is not materially dependent on any single customer.

### ***Seasonality of Business***

Each product or service of Panasonic has its own pattern of sales or profit in a year, such as, for example, air conditioners or refrigerators, whose sales normally peak in the first half of the fiscal year (April to September), or

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most BtoB (business-to-business) products, which have no particular peak. However, Panasonic's overall business has, in the aggregate, no significant seasonality in terms of sales or profits. Thus, seasonality does not have a material effect upon Panasonic's overall operations.

### ***Raw Materials and Source of Supply***

Panasonic purchases a wide variety of parts and materials from various suppliers globally. Panasonic applies a multi-sourcing policy not depending upon any one particular source of supply for most essential items. Panasonic has also been endeavoring to promote a policy of global optimum procurement by concentrating order placements to qualified suppliers from all over the world and purchasing the most competitive parts and materials.

In an attempt to improve operational efficiency and to reduce parts and materials costs, Panasonic has been increasing centralized purchasing for materials commonly used in many business divisions throughout Panasonic, such as steel, plastics, semiconductors and electronic components, while at the same time accelerating the initiatives to standardize parts and grade unification of steel and resin. Such efforts are coordinated by the Global Sourcing Group established in April 2003. At the divisional company level, an increasing focus has been put on centralized purchasing for parts and materials commonly used in factories within each divisional company.

To minimize the adverse effects of global price increases of raw materials, Panasonic further strengthened materials cost reduction initiatives including a reduction in the number of parts through the standardization of design, use of Value Engineering techniques, and additional cost reduction activities covering indirect materials.

Due to an increasing global awareness of CSR values, Panasonic recently decided to extend its commitment to social responsibility by requiring its suppliers to monitor their use of conflict minerals, (the term conflict mineral means columbite-tantalite (coltan), cassiterite, gold, wolframite, or their derivatives, which are limited to tantalum, tin, and tungsten, unless the U.S. Secretary of State determines that additional derivatives are financing conflict in the Democratic Republic of the Congo or an adjoining country, or any other mineral or its derivatives determined by the U.S. Secretary of State to be financing conflict in the Democratic Republic of the Congo or an adjoining country), in addition to ongoing activities such as maintaining environmental preservation, quality, safety, information security management and human rights and complying with related laws and regulations.

Panasonic published Green Procurement Standards (Ver. 1) in March 1999, and favors procurement from suppliers who are proactive in reducing their environmental impact.

Panasonic has revised its environmental policy and formulated The Green Plan 2018, an environmental action plan in order for Panasonic to in cooperation with its customers, supply chains and local communities achieve objectives in five areas: (i) reducing CO<sub>2</sub> emissions, (ii) recycling reusable resources, (iii) using water efficiently, (iv) controlling chemical substances and (v) supporting biodiversity. In the latest version of Green Procurement Standards (Ver. 6.2), Panasonic requests that suppliers prepare information showing the chemicals included in products and other goods they deliver to Panasonic, and based on information about the chemicals included in the parts and materials they purchase, along with scientific knowledge and manufacturing information related to their own manufacturing processes. Panasonic plans to monitor the status of the environmental impact reduction initiatives of its suppliers.

Panasonic also plans to contribute to conservation of the environment globally by working with our suppliers to promote eco-conscious procurement activities based on our revised Green Procurement Standards.

By implementing the above-mentioned activities and strengthening partnership with excellent suppliers, Panasonic aims to reinforce its procurement activities.

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### ***Patent License Agreements***

Panasonic holds numerous Japanese and foreign patent registrations for its products, and shares technologies with a number of Japanese and foreign manufacturers. Its technical assistance, or licensing, to other manufacturers has been increasing year by year.

For example, Panasonic's patents related to MPEG2 technology, which is widely used in digital TVs, are licensed to other companies through MPEG LA LLC. Patents which are essential to DVD technology are licensed as a part of the joint licensing program operated by seven Japanese, U.S. and Korean companies. Patents which are essential to CD technology, DVD technology and BD technology and are used in BD products are licensed as a part of the joint licensing program operated by fifteen Japanese, U.S., European and Taiwanese companies. Furthermore, Panasonic's patents relating to CD technology are licensed to many manufacturers. Further, Panasonic has non-exclusive cross-license agreements with Samsung Electronics Co., Ltd. for semiconductor technology and Hitachi Consumer Electronics Co., Ltd. for digital television technology.

Panasonic is a licensee under various license agreements which cover a wide range of products, including AV products, computers, communications equipment, semiconductors and other components. Panasonic has non-exclusive patent license agreements with, among others, Technicolor S.A., Thomson Licensing LLC. and Thomson Licensing S.A. covering a broad range of products, including DVD products. Panasonic has non-exclusive patent cross-license agreements with, among others, Texas Instruments Incorporated and International Business Machines Corporation, both covering semiconductors, information equipment and certain other related products. Further, Panasonic has a non-exclusive patent cross-license agreement with Eastman Kodak Company covering digital cameras, camcorders and mobile phones.

Panasonic considers all of its technical exchange and license agreements beneficial to its operations.

### ***Competition***

The markets in which Panasonic sells its products are highly competitive. Panasonic's principal competitors, across the full range of its products, consist of several large Japanese and overseas manufacturers and a number of smaller and more specialized companies. Advancements toward a borderless economy have also applied pressure to Japanese manufacturers, including Panasonic, in terms of global price competition. To counter this, Panasonic is devising various measures to enhance its competitiveness, with a focus on the development of differentiated products, cost reduction and efficiency improvements. Such measures include the development of products with Panasonic's differentiated technologies, innovation of manufacturing processes through the use of information technology, increasing overseas production for optimum manufacturing allocation from a global perspective, and shortening production and distribution lead time.

### ***Organizational Structure***

With the aim of achieving a recovery, at the beginning of fiscal 2014 Panasonic launched Cross-Values Innovation 2015, a 3-year midterm management plan. Also, in April 2013, Panasonic decided to build a customer-facing group-wide framework as one group based on a business divisions system and established four Divisional Companies (Appliances, Eco Solutions, AVC Networks and Automotive & Industrial Systems) to which each business division reports. These business divisions are responsible for R&D, production and sales globally, as well as for continuously increasing cash and profit through business management. Each divisional company undertakes measures that would be difficult for business divisions to handle on a stand-alone basis. These include major business development, creating new business and strengthening key devices. These divisional companies also allocate resources to the development of business divisions.

Panasonic's consolidated financial statements as of March 31, 2014 comprised the accounts of 504 consolidated companies, including 92 associated companies under the equity method.

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Divisional companies and principal subsidiaries as of March 31, 2014 were as listed below:

## (1) Divisional companies of Panasonic:

**Name of divisional company**

Appliances  
Eco Solutions  
AVC Networks  
Automotive & Industrial Systems

## (2) Principal domestic subsidiaries:

<b>Name of company</b>	<b>Ratio of voting interests</b>
PanaHome Corporation	54.5%
Panasonic Factory Solutions Co., Ltd.	100.0
Panasonic Ecology Systems Co., Ltd.	100.0
Panasonic Consumer Marketing Co., Ltd.	100.0
Panasonic Liquid Crystal Display Co., Ltd.	92.0
SANYO Electric Co., Ltd.	100.0
Panasonic System Networks Co., Ltd.	100.0

## (3) Principal overseas subsidiaries:

<b>Name of company</b>	<b>Location</b>	<b>Ratio of voting interests</b>
Panasonic Corporation of North America	U.S.	100.0%
Panasonic Avionics Corporation	U.S.	100.0*
Panasonic do Brasil Limitada	Brazil	100.0
Panasonic Europe Ltd.	U.K.	100.0
Panasonic AVC Networks Czech, s.r.o.	Czech Republic	100.0*
Panasonic Asia Pacific Pte. Ltd.	Singapore	100.0*
Panasonic India Pvt. Ltd.	India	100.0*
Panasonic Taiwan Co., Ltd.	Taiwan	69.8
Panasonic Corporation of China	China	100.0
Panasonic Appliances Air-Conditioning (Guangzhou) Co., Ltd.	China	67.8*
Panasonic Automotive Systems Dalian Co., Ltd.	China	60.0*

Note: Percentages with an asterisk (\*) include indirect voting interests.

**Property, Plants and Equipment**

Panasonic's principal executive offices and key research laboratories are located in Osaka, Japan.

Panasonic's manufacturing plants are located principally in Japan, other countries in Asia, North and South America and Europe. Panasonic considers all of its factories well maintained and suitable for current production requirements. In addition to its manufacturing facilities, Panasonic's properties all over the world include sales offices, research and development facilities, employee housing and welfare facilities, and

administrative offices.

Substantially all of the facilities Panasonic uses are fully owned by Panasonic and its subsidiaries. In addition to the Panasonic-owned facilities, Panasonic and its subsidiaries leased land from third parties, most of which was used as manufacturing space.

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The following table sets forth information as of March 31, 2014 with respect to the land areas of and principle products manufactured or functions performed at Panasonic's principal facilities, including those fully owned by Panasonic and those fully or partially leased from third parties:

<b>Name and Principal Location</b>	<b>Land Area (thousands of square feet)<sup>(1)</sup></b>	<b>Principal Products Manufactured or Functions</b>
<b>(Panasonic)</b>		
Kusatsu Plant, Shiga	5,802	Air-conditions and refrigerators
Hikone Plant, Shiga <sup>(2)</sup>	904 [43]	Personal-care equipment and healthcare equipment
Kobe Plant, Hyogo	1,991	Cooking appliances and information equipment
Takatsuki Plant, Osaka	1,884	Lighting
Niigata Plant, Niigata	1,539	Lighting fixtures
Tsu Plant, Mie <sup>(2)</sup>	893 [97]	Wiring devices and security equipment
Kadoma Plant, Osaka	2,228	Video and audio equipment
Saedo Plant, Kanagawa	603	Car AVC equipment
Arai Plant, Niigata	1,733	Semiconductors
Uozu Plant, Toyama	2,691	Semiconductors
Tonami Plant, Toyama	2,454	Semiconductors
Ise Plant, Mie	1,636	Automation controls
Kanazu Plant, Fukui <sup>(2)</sup>	484 [65]	Sensors
Osaka Plant, Osaka <sup>(2)</sup>	936 [43]	Batteries
Suminoe Plant, Osaka <sup>(3)</sup>	[1,249]	Batteries
Energy Solution Center etc., Osaka	409	Research and development facilities
Production Engineering Laboratory etc., Osaka	1,496	Research and development facilities
Advanced Technology Research Laboratories, Kyoto	571	Research and development facilities
Branch Office and Sales Office, Aichi, etc. <sup>(2)</sup>	1,206 [215]	Sales and marketing
Management department of Eco Solutions Company, Osaka, etc. <sup>(2)</sup>	4,726 [700]	Corporate administration of the Eco Solutions Company
Management department of Automotive & Industrial Systems Company, etc., Osaka, etc.	840	Corporate administration of the Automotive & Industrial Systems Company
Head Office etc., Osaka	5,350	Corporate administration, employee housing and welfare facilities
<b>(Domestic subsidiaries)</b>		
Tokyo Plant of SANYO Electric Co., Ltd., Gunma, etc.	10,592	Industrial equipment
Kasai Plant of SANYO Electric Co., Ltd., Hyogo	2,174	Batteries
Sumoto Plant of SANYO Electric Co., Ltd., Hyogo, etc.	1,249	Batteries
Tokushima Plant of SANYO Electric Co., Ltd., Tokushima	1,905	Batteries
Panasonic Ecology Systems Co., Ltd., Aichi	2,551	Equipment relates to the ecology systems business
Panasonic Liquid Crystal Display Co., Ltd., Hyogo <sup>(3)</sup>	[3,886]	LCD panels
Panasonic System Networks Co., Ltd., Fukuoka, etc. <sup>(2)</sup>	2,745 [538]	Information communication equipment



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<b>Name and Principal Location</b>	<b>Land Area (thousands of square feet)<sup>(1)</sup></b>	<b>Principal Products Manufactured or Functions</b>
Panasonic Factory Solutions Co., Ltd., Osaka, etc.	732	Electronic component mounters
Panasonic Welding Systems Co., Ltd., Osaka	118	Welding equipment
Head Plant of PanaHome Corporation, Shiga	3,445	Materials and components of housing system
Tsukuba Plant of PanaHome Corporation, Ibaraki (Overseas subsidiaries)	1,410	Materials and components of housing system
Panasonic Corporation of North America, U.S.A.	3,972	Manufacture and sales, with regional headquarters functions
Panasonic Avionics Corporation, U.S.A. <sup>(3)</sup>	[151]	Aircraft-in-flight equipment systems
Panasonic do Brasil Limitada, Brazil	5,813	Manufacture and sales functions
Panasonic AVC Networks Czech, s.r.o., Czech Republic	1,787	Flat-panel TVs
Panasonic Marketing Europe G.m.b.H., Germany	850	Sales functions
Panasonic Energy Malaysia Sdn.Bhd., Malaysia <sup>(3)</sup> .	[2,745]	Photovoltaic solar cells
Panasonic Asia Pacific Pte. Ltd., Singapore <sup>(2)</sup>	1,475 [2,110]	Manufacture and sales, with regional headquarters functions
Panasonic Taiwan Co., Ltd., Taiwan	1,206	Manufacture and sales functions
Sanyo Energy (Suzhou) Co., Ltd., China <sup>(3)</sup>	[2,379]	Batteries
Panasonic Wanbao Compressor (Guangzhou) Co., Ltd., China <sup>(3)</sup>	[1,410]	Compressors
Panasonic Appliances Air-Conditioning (Guangzhou) Co., Ltd., China <sup>(3)</sup>	[1,356]	Air-conditioner-related products
Panasonic Semiconductor (Suzhou) Co., Ltd., China <sup>(3)</sup>	[1,421]	Semiconductors

Note 1: Land area figures representing land leased from third parties is presented in brackets ( [ ] ).

Note 2: Properties partially leased from third parties.

Note 3: Properties wholly leased from third parties.

Substantially all of Panasonic's properties are free of material encumbrances and Panasonic believes such properties are in adequate condition for their purposes and suitably utilized. During fiscal 2014, there was no material problem, regarding both the productive capacity and the extent of utilization of Panasonic's properties.

In terms of environmental issues, all of the Panasonic's properties operate in compliance with governmental and municipal laws and regulations. Furthermore, Panasonic established a number of internal environmental guidelines which are stricter than those provided by the relevant authorities. In case any occasional non-compliance may take place, such as the previously mentioned PCB issue, Panasonic takes immediate and appropriate actions to meet the regulatory requirements and to ensure current good utilization standards.

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### **Business of Panasonic IS**

#### **Overview**

Panasonic IS was incorporated in 1999 as a wholly-owned subsidiary of Matsushita Electric Works, Ltd., or Matsushita Electric Works (currently Eco Solutions Company, one of the four Divisional Companies of Panasonic) by separating the former Information Systems Division of Matsushita Electric Works and establishing it as a subsidiary. In April 2004, Panasonic IS's parent company, Matsushita Electric Works, became a subsidiary of Matsushita Electric Industrial (currently Panasonic), and as a result Panasonic IS became a subsidiary of Panasonic.

Panasonic IS has been providing IT support, such as the construction and operation of production management systems and an online order receiving system within its group for over 50 years, including during the period when Panasonic IS was a department of Matsushita Electric Works. In addition, Panasonic IS has provided total solutions for information systems, including planning, designing, developing, operating and maintaining information systems for customers both within and outside of its group. Panasonic IS has developed into a high-revenue company by taking advantage of, among other things, its development skills and operational capabilities, which have been strengthened through the opportunities Panasonic IS has had meeting the various needs of its group, as well as Panasonic IS's expertise in promoting rationalization and efficiency, which Panasonic IS has gained serving customers outside of its group during the more than 15 year period since its establishment as a separate company.

Panasonic IS's corporate group is comprised of Panasonic IS and its two consolidated subsidiaries, each of which engages in the information service business.

In March 2015, Panasonic IS entered into an agreement to purchase 100% of the shares of SANYO Information System (ShangHai) Co., Ltd., or SIS ShangHai, to make it a wholly-owned subsidiary, for the purpose of realizing synergistic benefits expected from the integration of SIS ShangHai and Panasonic IS's businesses. Subsequently, SIS ShangHai changed its name to Panasonic Information Systems (Shanghai) Co., Ltd.

#### **Midterm Management Plan**

Panasonic IS has formulated a midterm management plan starting from April 2013. Panasonic IS continues to press ahead to achieve the plan's themes, which are Strengthening Panasonic IS's Market Outside the Panasonic Group (General Market), Reinforcing Partnerships with the Panasonic Group and Strengthening Management Practices.

#### ***Strengthening Panasonic IS's Market Outside Panasonic (General Market)***

Strengthening the development of business outside Panasonic is critical to Panasonic IS's growth. In addition to the key businesses that served as drivers of growth under the previous midterm management plan, which were IT infrastructure construction/operation (ICT infrastructure service) and core system construction (system integration of core functions), Panasonic IS has added the creation of solutions that combine the products and services of Panasonic with Panasonic IS's IT services through collaboration with the Panasonic Group and the development of technology and product strategies that will lead to the creation of new markets. In the fiscal year ended March 31, 2014, Panasonic IS posted net sales of 4,760 million yen for its four key businesses, achieving 95.2% of its target of 5,000 million yen.

#### **ICT infrastructure service**

Panasonic IS broadly exceeded its target for ICT infrastructure service through increased orders for large-scale infrastructure projects and cloud services.

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### **System integration of core functions**

In the category of system integration of core functions, Panasonic IS launched the cloud version of its *MetaForce* sales management control system for the distribution and wholesale sector and offered it to small and medium-sized companies, resulting in a steady increase of orders. Nonetheless, new projects involving its mainstay solution, the ERP package *GRANDIT*, decreased.

### **Collaboration with the Panasonic Group**

In the collaboration with the Panasonic Group category, sales of video surveillance solutions combining network cameras with IT, as well as sales of new lesson-delivery systems for the education market, trended favorably. Although sales of ticketing systems temporarily decreased due to the shift from one-time package installation to monthly subscription services, Panasonic IS steadily continued to build a platform for stable revenue production.

### **Creation of something new**

In the category of creation of something new, Panasonic IS launched database integration solutions and developed an indirect materials purchasing service. These two solutions were only at the budding stage during the fiscal year ended March 31, 2014. While they contributed very little to sales, Panasonic IS believes that these businesses have the potential to expand and grow stronger through the application of the experience, know-how and strengths Panasonic IS has cultivated.

### ***Reinforcing Partnerships with Panasonic***

During the fiscal year ended March 31, 2014, Panasonic IS contributed to improving work efficiency with a focus on building work systems for the Eco Solutions Company. In addition, Panasonic IS supported the launch of the *VA Solutions Catalog*, an IT tool for sales partners, such as representative offices, builders and construction companies, and launched services to promote its use. Panasonic IS also speeded up collaborations of Panasonic products and IT through the adoption of its company's technologies in Eco Solutions Company's lithium-ion battery storage system.

### ***Strengthening Management Practices***

During the fiscal year ended March 31, 2014, Panasonic IS strengthened three aspects of its management practices: quality improvement, rationalization and efficiency, and human resource development. Panasonic IS's efforts to improve quality focused on improving its maturity level for CMMI®, an international standard for software development processes. Panasonic IS achieved a maturity Level 4 in CMMI® on September 30, 2014.

## **Business Segment**

Panasonic IS has a single business segment. Panasonic IS engages in the information service business including System Services and System Solutions.

### ***System Services***

In the category of System Services, Panasonic IS provides system operation services at data centers, cloud services and network services.

In the market outside Panasonic, Panasonic IS began targeting small and medium-sized enterprises in addition to large companies in developing private cloud services centering on its mainstay IT infrastructure service, Nexstructure, and Panasonic IS's IT operations service. Panasonic IS also began offering high value-added services, such as remote operation services and a new vertical integration service for databases.

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In connection with Panasonic IS's work for Panasonic, in addition to improving the efficiency of the operation of Panasonic's IT infrastructure, as a business growth strategy Panasonic IS launched infrastructure platform services to revolutionize work styles through the use of tablets.

### ***System Solutions***

In the category of System Solutions, Panasonic IS provides core system architecture solutions, IT infrastructure architecture solutions, commissioned system development, development and provision of package software, sales of computers, servers, and communications equipment, and network and facility construction.

In the market outside Panasonic, in IT Panasonic IS has moved forward in developing a cloud service model that connects directly to client businesses, which contributes to the client's management. In concrete terms, this has meant providing revenue-sharing-type cloud services for leisure facilities. In this model, its company shares in the visitor behavior risk concerning, for example, use fees dependent upon visitor numbers and seasonally adjusted charges.

In addition, Panasonic IS's work for Panasonic has put Panasonic IS on the frontlines of marketing support for strategy systems that get the most out of tablet use and differentiate Panasonic from its competitors.

### **Global Operations**

Panasonic IS, on its own, does not have overseas operations. Panasonic IS offers IT support for the overseas sales companies and factories of Panasonic. Panasonic IS's overseas sales constitute less than 10% of Panasonic IS's total consolidated net sales.

### **Research and Development and Intellectual Property**

Panasonic IS's research and development activities are mainly conducted at its R&D Center. During the fiscal year ended March 31, 2014, research and development costs amounted to 121 million yen. Such costs were largely attributable to verifying the functionality of new technologies and commercial licenses related to smart devices, etc.

Panasonic IS does not have important patent rights, either domestically or overseas.

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**Regulation**

**Government Regulations**

Like other electronics manufacturers, Panasonic is subject to governmental regulations related to environmental preservation.

To comply with recycling laws both in Japan and other countries/regions, Panasonic has been actively taking measures. Panasonic established an efficient system to collect and recycle used home appliances, namely, air conditioners, CRT TVs, flat-panel TVs, refrigerators, washing machines and clothes dryers in compliance with the Act for Recycling of Specified Kinds of Home Appliances in Japan effective April 1, 2001. As one of its measures to contribute to the establishment of a recycling-oriented society, Panasonic established recycling plants including Panasonic Eco Technology Center Co., Ltd. not only to dismantle used products, but also to promote research and development of recycling technologies. In Europe, various national laws based on the Waste Electrical and Electronic Equipment, or WEEE, Directive designed to promote recycling came into force in the Member States sequentially after February 2003. Said Directive was recast in August 2012, expanding the scope to nearly all electrical and electronic products, including solar panels. Preparing for mandatory recycling under the WEEE Directive, Panasonic established EcologyNet Europe GmbH, or ENE, in Germany in April 2005. Panasonic promotes construction of networks connecting manufacturers, recycling companies and hauling companies through ENE. In March 2013, Panasonic established ElekSa in Wiesbaden, Germany as Panasonic's site for collecting used electronic products, in an effort to further increase collection volumes. Additionally, Panasonic Corporation of North America, a regional company in the U.S., has established a new electronic product recycling management company, Electronics Manufacturers Recycling Management Company, LLC, or MRM, with other manufacturers to satisfy requirements enacted in July 2007 in the state of Minnesota. Although MRM's initial focus was to collect products in Minnesota, the scope of operation is expanding its activities to other states. In Canada, there are currently nine provinces with WEEE recycling programs corresponding to respective provincial WEEE regulations. Together with the industry, Panasonic is working towards standardization between provinces for managing WEEE. In China, the Regulation for the Management of Recycling and Disposal of Waste Electrical and Electronic Product was enforced in January 2011. Under this regulation, Panasonic established a joint recycling company in Hangzhou in November 2011 named Panasonic Dadi Dowa Summit Recycling Hanzhou Co., Ltd., with Chinese and Japanese Companies, and its operation started in February 2014. This company engages in collecting and disassembling used appliances as well as selling resources from used appliances. In India, where a recycling law was enforced in May 2012, Panasonic has built a network of collection sites using brand shops and authorized service centers. In addition, following the enforcement of relevant laws in Australia in July 2012, Panasonic is engaged in the recycling of TVs and PCs through an organization jointly established with major manufactures as a part of producer responsibility. In Brazil, together with industrial associations, the retailing industry and the like, Panasonic is holding consultations with the government on building a recycling system. Through these activities, Panasonic is carrying out its compliance programs not only to meet the requirements demanded by legislation, but also to establish its own efficient recycling systems that will lead to environmental contribution to society and enhancement of its competitive edge.

In January 2003, Panasonic announced that disposed electric equipment containing polychlorinated biphenyl, or PCB, might be buried in the ground of its four manufacturing facilities and one former manufacturing facility in Japan, and excavation measures were completed at the end of March 2009. The applicable laws in Japan require that PCB equipment be appropriately maintained and disposed of, by July 2016. Panasonic will continue to treat PCB waste and contaminated soil in a prompt manner.

To deal with climate change issues, various kinds of measures, especially those for energy efficiency of products, are being taken worldwide. In Japan, the Energy Conservation Act was revised in 1998, and the Top-runner standard was introduced, which aims to continuously increase products' energy efficiency performance on an industry-wide basis. As a target value for a goal year, the program uses a value of the product with the highest energy consumption efficiency on the market during the standard establishment process. The scopes of covered

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products are expanding, and standards become more stringent as necessary. Many other countries/regions also have regulations for energy conservation improvement (energy-saving standards and labeling systems) for home appliances and AV/IT products. As for Europe, the Energy Efficiency Directive entered into force in December 2012, aiming to establish a common framework of measures for the promotion of energy efficiency within the European Union in order to ensure the achievement of 20% headline target on energy efficiency set by the European Union's Europe 2020 growth strategy. Panasonic takes a proactive measure to comply with these requirements, and further promotes development of energy-saving products.

Also, Panasonic is promoting its initiatives for regulations relevant to chemical substances management. In Europe, the RoHS Directive, which bans the sales of electrical and electronic equipment using six specified hazardous substances from the EU market, was issued in February 2003. Panasonic completed initiatives for the non-use of the abovementioned six specified hazardous substances in its covered products by the end of October 2005, in order to reduce possible contamination by these substances after products are disposed of. Furthermore, enhancement of requirements was incorporated with time in response to recast of the EU RoHS Directive in July 2011. Laws and regulations similar to the EU RoHS Directive are implemented in Japan, South Korea, China, Turkey, Ukraine, India, Vietnam and some states in the U.S. such as California. Additionally, the Registration, Evaluation, Authorization and Restriction of Chemicals regulation, or REACH, came into force in June 2007. REACH requires all chemical substances and mixtures above one ton that are manufactured in or imported into the European Union per year to be evaluated for health and safety impact, registration to the European Chemicals Agency, or ECHA. REACH also requires that the information of chemicals included in products that are ECHA-specified substances of very high concern must be communicated within the supply chain when the concentration of such chemical is above 0.1% (weight by weight) as well as notification thereof to the ECHA when the total amount of such chemical is above one ton per year. Panasonic is carrying out its compliance programs to meet the requirements of relevant regulations.

Panasonic is subject to a number of other government regulations in Japan and overseas as mentioned above, but overall, it presently manages to operate its businesses without any significant difficulty or financial burden in coping with them.

Regarding the Federal Mine Safety and Health Act of 1977 in the U.S., Panasonic is not an operator, or which has a subsidiary that is an operator, of a coal or other mine located in the U.S.

**Table of Contents****Panasonic Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with the consolidated financial statements and the second quarter financial statements of Panasonic included in this prospectus. Panasonic prepares its consolidated financial statements in accordance with U.S. GAAP, and accordingly the following discussion is based on Panasonic's U.S. GAAP financial information. Panasonic's fiscal year end is March 31.*

**Overview**

Panasonic is one of the world's leading producers of electronic and electric products, which are categorized into five segments: Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, and Other. The composition ratios of sales for each segment, including inter-segment sales, for fiscal 2014 are as follows: Appliances (22%), Eco Solutions (20%), AVC Networks (14%), Automotive & Industrial Systems (33%), and Other (11%). Panasonic operates globally with overseas sales representing approximately 50% of its total consolidated sales in fiscal 2014, with overseas sales being generally affected by the global economic environment and affected, to a certain degree, by foreign currency exchange rate fluctuation. The breakdown of Panasonic's net sales by geographical area for fiscal 2014 is as follows: Japan (50%), North and South America (14%), Europe (10%), Asia and Others (26%).

***Economic environment***

In fiscal 2012, sales in the Japanese consumer electronics industry declined from the previous fiscal year, when there was rush demand before the expiration of the eco-point system, which was designed and implemented by the Japanese government to encourage consumers to purchase energy-efficient appliances with the aim of reducing electricity use by households. Although there were signs of recovery with the normalization of the supply chain, which had been disrupted by the Great East Japan Earthquake, the Japanese economy as a whole was still severely affected by the shortage in electricity distribution after the disaster, the global economic slowdown, appreciation of the yen, and declining stock prices. In fiscal 2013, the business environment for Japanese companies improved as a result of factors including the depreciation of the yen against U.S. dollar and Euro after a period of extreme yen appreciation, and the recovering U.S. stock market, towards the fiscal year end. However, the electronics industry continued to be in a severe business situation including sluggish demand for flat-panel TVs mainly in Japan. In fiscal 2014, despite some economic slowdown in emerging countries including India, the global economy continued to recover moderately with a pickup in Europe, a continuing stock market recovery and stable consumer spending in the U.S., and a further stock market recovery, the depreciation of the yen and a surge in consumer spending before the consumption tax hike in Japan. For the six months ended September 30, 2014, Japan experienced two consecutive quarters of negative GDP growth. On the other hand, additional quantitative easing by the Bank of Japan and a decision to delay a planned 2nd consumption tax increase have resulted in higher stock prices and further depreciation of the yen through the third quarter of the fiscal 2015. While a slowdown has been seen in China and ASEAN countries, the economy has continued to recover in Europe and the U.S., despite signs of a partial slowdown.

***Condition of foreign currency exchange rates and Panasonic's policy***

Foreign currency exchange rates fluctuated during the three years ended March 31, 2014 and the six months ended September 30, 2014. In fiscal 2012, appreciation of the Japanese yen against the major currencies, such as U.S. dollar and Euro, generally continued, with some reversal towards the end of the year. In fiscal 2013, the Japanese yen, showing appreciation during the first half of the year, started to decline towards the end of the year. In fiscal 2014, the Japanese yen, taking over the weak trend from the previous year, although showing some strength in the volatile movement in the first half of the year, returned to the weak side of the range towards the end of the year. Towards the end of the six months ended September 30, 2014, the Japanese yen further depreciated, especially against the U.S. dollar. In order to alleviate the effects of currency-related transaction

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risks, Panasonic has traditionally used several currency risk hedging methods, such as forward foreign-exchange contracts and currency options contracts with leading banks. Panasonic has also increased matching of export and import exchange contracts. Panasonic does not have any material unhedged monetary assets, liabilities or commitments denominated in currencies other than the individual operations functional currencies.

***Summary of operations***

Panasonic's consolidated sales and earnings results during the three years and the six months ended September 30, 2013 and 2014, reflecting the aforementioned external conditions, can be summarized as follows:

For the six months ended September 30, 2014, net sales were 3,723 billion yen, around the same as 3,706 billion yen in the same period of fiscal 2013. Demand in Japan overall backed off of consumer electronic products following a surge before the consumption tax hike in April 2014. Meanwhile, this negative effect was mostly offset due to the effect of a surge in demand for certain products that began before the tax hike and carried over into the first quarter. Pre-tax income totaled 122 billion yen, a decrease from 207 billion yen in the same period of fiscal 2013 and net income attributable to Panasonic was 81 billion yen, a decrease from 169 billion yen, due to a one-off gain in the first quarter of fiscal 2013 from the transition of a defined benefit pension plan to a defined contribution pension plan.

In fiscal 2014, net sales amounted to 7,737 billion yen, up 6% from the previous year, with the depreciation of the yen contributing to the sales increase. Sales in the automotive related business grew with the global market recovering, and sales in the housing related business increasing in response to increased demand before the consumption tax hike in Japan. Meantime, sales for the digital consumer-related business decreased as Panasonic shifted its focus to increasing profitability rather than on sales volume. These factors resulted in a pre-tax income of 206 billion yen, an improvement from a pre-tax loss of 398 billion yen in fiscal 2013. Net income attributable to Panasonic Corporation was 120 billion yen, an improvement from a loss of 754 billion yen in fiscal 2013.

In fiscal 2013, net sales amounted to 7,303 billion yen, down 7% from the previous year. The business situation of electronics industry continued to be severe, as seen from the sluggish demand for flat-panel TVs, mainly in Japan. In addition, Panasonic incurred a 251 billion yen goodwill impairment loss and 138 billion yen of expenses associated with impairment losses on long-lived assets, which were primarily related to solar, consumer-use lithium-ion batteries and mobile phone businesses. As a result of these and other factors, Panasonic incurred a pre-tax loss of 398 billion yen. Net loss attributable to Panasonic Corporation was 754 billion yen due to the recording of valuation allowances for deferred tax assets.

In fiscal 2012, net sales amounted to 7,846 billion yen, down 10% from the previous year, due mainly to the Great East Japan Earthquake and the flooding in Thailand as well as a sales decrease in digital AV products. Pre-tax income (loss) turned to a loss of 813 billion yen from a profit of 179 billion yen, due mainly to incurring business restructuring expenses such as early retirement charges and impairment losses of goodwill and fixed assets. Net income (loss) attributable to Panasonic Corporation turned to a loss of 772 billion yen from a profit of 74 billion yen in fiscal 2011.



**Table of Contents****Operating results****Key performance indicators**

The following are performance measures that Panasonic believes are key indicators of its business results for the last three fiscal years and the six months ended September 30, 2013 and 2014.

	Yen (billions) (%)				
	Fiscal year ended March 31,			Six months ended September 30,	
	2014	2013	2012	2014	2013
Net sales	7,737	7,303	7,846	3,723	3,706
Income (loss) before income taxes to net sales ratio	2.7%	(5.5)%	(10.4)%	3.3%	5.6%
Research and development costs to net sales ratio	6.2%	6.9%	6.6%	6.0%	6.2%
Total assets	5,213	5,398	6,601	5,345	5,343
Total Panasonic Corporation shareholders equity	1,548	1,264	1,930	1,590	1,467
Total Panasonic Corporation shareholders equity to total assets ratio	29.7%	23.4%	29.2%	29.8%	27.5%
Return on equity <sup>(1)</sup>	8.6%	(47.2)%	(34.4)%	5.2%	12.4%
Capital investment	217	311	334	94	88
Free cash flow	594	355	(340)	87	115

Note: Return on equity is calculated by dividing net income (loss) attributable to Panasonic Corporation by the average of Panasonic's shareholders' equity at the beginning and the end of each fiscal year.

Panasonic defines Capital investment as purchases of property, plant and equipment on an accrual basis which reflects the effects of timing differences between acquisition dates and payment dates. Panasonic has included the information concerning capital investment because its management uses this indicator to manage its capital expenditures and it believes that this indicator is useful for presenting to investors accrual basis capital investments as supplementing information to the cash basis information in the consolidated statements of cash flows.

Panasonic's management also believes that this indicator provides useful information when it is compared with depreciation expenses, which are shown in Note 16 of the Notes to Consolidated Financial Statements, for purposes of evaluating the replacement of property, plant and equipment. This indicator is, however, subject to the limitation that capital investments may not produce future returns (because current expenditures may not provide an efficient use of capital) and may also be subject to impairment. Also, this indicator is subject to the limitation that it may not represent the true cost of maintaining Panasonic's portfolio of property, plant and equipment as it excludes expenditures for repairs and maintenance, operating leases, and intangible assets that may be integral to the use of property, plant and equipment. Panasonic compensates for these limitations by referring to this indicator together with relevant U.S. GAAP financial measures, such as capital expenditures, depreciation and amortization, shown in its consolidated statements of cash flows, to present an accurate and complete picture for purposes of capital expenditure analysis.

The following table shows a reconciliation of capital investment to purchases of property, plant and equipment:

	Yen (billions)				
	Fiscal year ended March 31,			Six months ended September 30,	
	2014	2013	2012	2014	2013
Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows	202	320	495	102	100
Effects of timing difference between acquisition dates and payment dates	15	(9)	(161)	(8)	(12)
Capital investment	217	311	334	94	88



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Panasonic defines Free cash flow as the sum of net cash provided by operating activities and net cash provided by investing activities. Panasonic has included the information concerning free cash flow because its management uses this indicator, and it believes that such indicator is useful to investors, to assess its cash availability after financing of its capital projects.

Panasonic's management also believes that this indicator is useful in understanding Panasonic's current liquidity and financing needs in light of its operating and investing activities, i.e., its ability to pay down and draw on available cash. It should be noted, however, that free cash flow Panasonic reports may not be comparable to free cash flow reported by other companies. It should also be noted that free cash flow should not be viewed in a manner that inappropriately implies that it represents the residual cash flow available for discretionary uses, since at any given time Panasonic may be subject to mandatory debt service requirements and may have other non-discretionary expenditures that are not deducted from this indicator. Panasonic compensates for these limitations by referring to this indicator together with relevant U.S. GAAP financial measures shown in its consolidated statements of cash flows and consolidated balance sheets, to present an accurate and complete picture for purposes of cash availability analysis.

The following table shows a reconciliation of free cash flow to net cash provided by operating activities:

	Yen (billions)				
	Fiscal year ended March 31,			Six months ended September 30,	
	2014	2013	2012	2014	2013
Net cash provided by operating activities	582	339	2	167	161
Net cash provided by (used in) investing activities	12	16	(342)	(80)	(46)
Free cash flow	594	355	(340)	87	115

Details of Panasonic's consolidated sales and earnings results were as follows:

**Six Months ended September 30, 2014 compared with Six Months ended September 30, 2013****(1) Sales**

Consolidated sales for the six months ended September 30, 2014 were 3,723 billion yen, a similar level as the 3,706 billion yen for the same period of fiscal 2014. Although sales increased in solar and automotive-related products, overall sales remained at the same level as last year as a result of sales decreases in challenging businesses, including TVs, as well as the negative impact of the consumption tax increase in Japan.

**(2) Cost of Sales and Selling, General and Administrative Expenses**

For the six months ended September 30, 2014, cost of sales amounted to 2,683 billion yen, down 1% from the same period of the previous fiscal year, and selling, general and administrative expenses amounted to 863 billion yen, up 3% from the same period of the previous fiscal year. The decrease in cost of sales was due to efforts to reduce the cost of raw materials.

**(3) Interest Income, Dividends Received and Other Income**

Interest income increased 29% to 6 billion yen, and dividends received decreased 18% to 1 billion yen and other income decreased 84% to 18 billion yen. The decrease in other income was mainly due to a one-off gain of 80 billion yen, recorded in the previous year, resulting from the transition from a defined benefit pension plan to a defined contribution pension plan. Foreign exchange gains of 3 billion yen, compared with foreign exchange losses (included in other deductions) of 5 billion yen for the same period of the previous fiscal year, was also recorded in the other income.



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(4) Interest Expense, Impairment Losses of Long-Lived Assets, Goodwill Impairment and Other Deductions

Interest expense decreased 21% to 9 billion yen. Impairment losses of long-lived assets decreased by 42% to 4 billion yen, which was primarily related to the AVC Networks segment. No impairment was recorded for goodwill. In other deductions, Panasonic recorded 17 billion yen in expenses relating to the inspection and replacement of parts without charge for certain types of residential water heating systems, which it sold in Japan, and 8 billion yen relating to restructuring charges, including 5 billion yen relating to early retirement programs.

(5) Income before Income Taxes

As a result of the above-mentioned factors, income before income taxes for the six months ended September 30, 2014 amounted to an income of 122 billion yen, compared with 207 billion yen for the same period of the previous fiscal year. The decrease was mainly due to a one-off gain of 80 billion yen, resulting from the transition from a defined benefit pension plan to a defined contribution pension plan made in the previous year.

(6) Provision for Income Taxes

Provision for income taxes amounted to 37 billion yen, down 1% from the same period of the previous fiscal year. Despite a significant decrease in income before income taxes, provision for income taxes remained almost unchanged, mainly due to the fact that Panasonic fully recognized valuation allowances for deferred tax assets.

(7) Equity in Earnings of Associated Companies

Equity in earnings of associated companies increased to gains of 5 billion yen from the gains of 3 billion yen for the same period of the previous fiscal year.

(8) Net Income

Net income amounted to 90 billion yen, compared with 173 billion yen for the same period of the previous fiscal year. The decrease was mainly due to the transition from a defined benefit pension plan to a defined contribution pension plan, mentioned above.

(9) Net Income attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to 9 billion yen, compared with 4 billion yen for the same period of the previous fiscal year.

(10) Net Income attributable to Panasonic Corporation

As a result of all the factors stated in the preceding paragraphs, Panasonic recorded a net income attributable to Panasonic Corporation of 81 billion yen, a decrease from the same period of the previous fiscal year's net income attributable to Panasonic Corporation of 169 billion yen. The decrease was mainly due to the aforementioned transition of the pension plan.

**Table of Contents****(11) Results of Operations by Segment**

Results of operations by segment for the six months ended September 30, 2014, as compared with the same period of the previous fiscal year, were as follows:

	Yen (billions) Six months ended September 30		Percent change
	2014	2013	
<b>Sales:</b>			
Appliances	916	906	1%
Eco Solutions	790	771	2
AVC Networks	532	549	(3)
Automotive & Industrial Systems	1,378	1,348	2
Other	298	364	(18)
Eliminations and adjustments	(192)	(233)	
<b>Total</b>	<b>3,723</b>	<b>3,706</b>	<b>0.4%</b>
<b>Segment profit (loss):</b>			
Appliances	32	13	141%
Eco Solutions	42	40	6
AVC Networks	4	(2)	
Automotive & Industrial Systems	52	48	9
Other	2	7	(71)
Eliminations and adjustments	45	41	
<b>Total</b>	<b>177</b>	<b>147</b>	<b>21%</b>

Sales in Appliances increased 1% to 916 billion yen, from 906 billion yen. The result was mainly due to favorable sales in air conditioners and devices, although sales in TVs decreased due mainly to discontinuation of PDP business.

With respect to this segment, segment profit increased 141% to 32 billion yen from 13 billion yen, due mainly to improved profitability of challenging businesses, such as TV business. The device businesses, such as motor business, also contributed to profit improvement.

Sales in Eco Solutions increased 2% to 790 billion yen, from 771 billion yen for the same period of the previous fiscal year. In Japan, sales in housing systems decreased due to weakening demand in the housing market after the consumption tax hike. Nonetheless, sales in the housing solar business increased due to an increase in the delivery of the housing solar products, which accompanied increased housing sales prior to the consumption tax hike, in addition to a sales increase in the non-housing LED lighting business. Overseas sales increased due to newly-consolidated VIKO, a Turkish company, as well as sales growth in strategic regions such as India.

With respect to this segment, segment profit increased 6% to 42 billion yen from 40 billion yen for the same period of the previous fiscal year, due mainly to sales increase and rationalization initiatives.

Sales in AVC Networks decreased 3% to 532 billion yen, from 549 billion yen for the same period of the previous fiscal year. Although sales increased in BtoB (business-to-business) business such as ruggedized PCs and tablets, sales decreased due mainly to exit from unprofitable businesses including plasma display panels as well as narrowing down business areas including smartphones and digital still cameras.

With respect to this segment, segment profit improved to 4 billion yen from a loss of 2 billion yen for the same period of the previous fiscal year, due mainly to a sales increase in the BtoB (business-to-business) business and a reduction in costs as a result of restructuring carried out in the previous fiscal year, such as the suspending of development of smartphones for the BtoC (business-to-consumer) market.



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Sales in Automotive & Industrial Systems increased 2% to 1,378 billion yen, from 1,348 billion yen for the same period of the previous fiscal year, due mainly to favorable sales for automotive businesses such as Automotive Infotainment Systems business and electronic component mounting equipment. The depreciation of the yen also contributed to an increase in sales.

With respect to this segment, segment profit increased 9% to 52 billion yen from 48 billion yen for the same period of the previous fiscal year, due mainly to the above-mentioned sales increase, restructuring of challenging businesses, such as the semiconductor business, and other rationalization initiatives.

Sales in Other segment decreased 18% to 298 billion yen, from 364 billion yen for the same period of the previous fiscal year, due mainly to the transfer of Panasonic's healthcare business to PHC Holdings Co., Ltd. at the end of fiscal 2014.

With respect to this segment, segment profit decreased 71% to 2 billion yen from 7 billion yen for the same period of the previous fiscal year due mainly to the transfer of Panasonic's healthcare business, discussed above, and profit decline of the PanaHome Corporation.

**(12) Sales Results by Region**

Sales results by region for the six months ended September 30, 2014, as compared with the same period of the previous fiscal year, were as follows:

	Yen (billions)		Percent change
	Six months ended September 30		
	2014	2013	
Domestic Sales:	1,750	1,787	(2)%
Overseas Sales:			
North and South America	561	554	1
Europe	344	354	(3)
Asia and Others	1,068	1,011	6
Total	1,973	1,919	3
Total	3,723	3,706	0.4%

Sales in the domestic market amounted to 1,750 billion yen, down 2% from 1,787 billion yen for the previous fiscal year. The sales decrease in the domestic market was due mainly to weak demand for consumer electronic products after the consumption tax hike in April 2014, despite steady sales in housing solar business.

Overseas sales amounted to 1,973 billion yen, up 3% from 1,919 billion yen for the previous fiscal year. Steady demand in products of the automotive business such as car navigation systems and car AVC equipment in global market contributed to the overseas sales increase.

By region, sales in North and South America amounted to 561 billion yen, up 1% from 554 billion yen for the previous fiscal year due to, among other factors, positive lithium-ion battery sales.

Sales in Europe amounted to 344 billion yen, down 3% from 354 billion yen for the previous fiscal year due to, among other factors, sales decline in flat-panel TVs.

In Asia and Others, sales amounted to 1,068 billion yen, up 6% from 1,011 billion yen for the previous fiscal year, due to, among other factors, sales recovery of air conditioners mainly in China.





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Year ended March 31, 2014 compared with 2013

(1) Sales

Consolidated sales for fiscal 2014 amounted to 7,737 billion yen, up 6% from 7,303 billion yen for the previous fiscal year.

The depreciation of the yen contributed to the sales increase. Automotive related business grew in sales with global market recovering, and sales of housing related business increased by capturing demand before the consumption tax hike in Japan. Meantime, sales in digital consumer-related business decreased, because Panasonic is focusing on profitability rather than sales volume.

(2) Cost of Sales and Selling, General and Administrative Expenses

In fiscal 2014, cost of sales amounted to 5,639 billion yen, up from 5,420 billion yen for the previous fiscal year. Selling, general and administrative expenses amounted to 1,793 billion yen, up from 1,722 billion yen for the previous fiscal year. An increase in raw material costs contributed to the increase of the cost of sales.

(3) Interest Income, Dividends Received and Other Income

In fiscal 2014, interest income amounted to 11 billion yen, up from 9 billion yen for the previous fiscal year, and dividends received amounted to 2 billion yen, down from 4 billion yen for the previous fiscal year. Other income increased to 243 billion yen, up from 92 billion yen for the previous fiscal year. A one-off gain of 80 billion yen from transitioning the pension scheme, a gain of 79 billion yen from the sale of the healthcare business and a gain of 50 billion yen as a result of corporate-wide measures, including bonus reductions, were included in the other income of fiscal 2014.

(4) Interest Expense, Impairment Losses of Long-Lived Assets, Goodwill Impairment and Other Deductions

Interest expense decreased 14% to 22 billion yen. Impairment losses of long-lived assets decreased by 25% to 104 billion yen. Impairment losses of 7 billion yen, 26 billion yen, 57 billion yen and 14 billion yen were related to Eco Solutions, AVC Networks, Automotive & Industrial Systems, and the remaining segments, respectively. Goodwill Impairment for fiscal 2014 decreased 97% to 8 billion yen, which was primarily related to Automotive & Industrial systems. The decrease was due to goodwill impairment for the previous fiscal year of 251 billion yen, which consisted of, primarily, that of the solar battery business, the mobile phone business, and the consumer lithium-ion battery business. In other deductions, Panasonic recorded 64 billion yen as restructuring charges including 32 billion yen of early retirement program.

(5) Income (Loss) before Income Taxes

As a result of the above-mentioned factors, income before income taxes for fiscal 2014 amounted to 206 billion yen, compared with a loss of 398 billion yen for the previous fiscal year.

(6) Provision for Income Taxes

Provision for income taxes for fiscal 2014 decreased to 90 billion yen, compared with 385 billion yen for the previous fiscal year. This result was due primarily to the fact that Panasonic increased the valuation allowances for deferred tax assets in fiscal 2013. For more information, see Note 10 of the Notes to Consolidated Financial Statements.

(7) Equity in Earnings of Associated Companies

Equity in earnings of associated companies decreased to 5 billion yen in fiscal 2014, compared with 8 billion yen for the previous fiscal year.



**Table of Contents****(8) Net Income (Loss)**

Net income amounted to 122 billion yen for fiscal 2014, compared with a loss of 775 billion yen for the previous fiscal year. The increase in net income was mainly due to a decline in restructuring expenses compared with the previous year, the transitioning of pension schemes, discussed above, and capital gains received from the sale of healthcare related equity investments.

**(9) Net Income (Loss) attributable to noncontrolling interests**

Net income attributable to noncontrolling interests amounted to 1 billion yen in fiscal 2014, compared with a loss of 21 billion yen for the previous fiscal year.

**(10) Net Income (Loss) attributable to Panasonic Corporation**

As a result of all the factors stated in the preceding paragraphs, Panasonic recorded a net income attributable to Panasonic Corporation of 120 billion yen for fiscal 2014, an improvement of 875 billion yen from a net loss attributable to Panasonic Corporation of 754 billion yen for the previous fiscal year.

**(11) Results of Operations by Segment**

Results of operations by segment for fiscal 2014, as compared with the previous fiscal year, were as follows:

	Yen (billions)		Percent change
	Fiscal year ended March 31,		
	2014	2013	
<b>Sales:</b>			
Appliances	1,777	1,735	2%
Eco Solutions	1,674	1,508	11
AVC Networks	1,153	1,187	(3)
Automotive & Industrial Systems	2,722	2,542	7
Other	891	917	(3)
Eliminations and adjustments	(481)	(585)	
<b>Total</b>	<b>7,737</b>	<b>7,303</b>	<b>6%</b>
<b>Segment profit (loss):</b>			
Appliances	30	43	(32)%
Eco Solutions	92	60	53
AVC Networks	36	33	9
Automotive & Industrial Systems	69	0.2	38,531
Other	24	7	228
Eliminations and adjustments	54	17	
<b>Total</b>	<b>305</b>	<b>161</b>	<b>90%</b>

Sales in Appliances increased by 2% to 1,777 billion yen from 1,735 billion yen a year ago, due mainly to a sales increase in Japan as a result of a surge in consumer spending before the consumption tax hike, despite a sales decrease in household air conditioners in China and weak sales growth in vending machines and small kitchen appliances in Japan.

Segment profit decreased by 32% to 30 billion yen, compared with 43 billion yen a year ago. Streamlining and cost reduction were unable to offset a negative impact of yen depreciation on products manufactured overseas and imported to Japan.



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Sales in Eco Solutions increased by 11% to 1,674 billion yen from 1,508 billion yen a year ago with favorable sales in all product categories due mainly to a surge in consumer spending before the consumption tax hike in Japan, as well as sales growth overseas primarily in the electrical materials business, mainly in China, India and other areas of Asia.

Segment profit significantly increased by 53% to 92 billion yen from 60 billion yen a year ago due mainly to a sales increase and cost reduction offsetting negative impact of yen depreciation.

Sales in AVC Networks decreased by 3% to 1,153 billion yen from 1,187 billion yen a year ago. This result was due mainly to a sales decrease in DSCs as well as the consequence of radical reforms, such as withdrawing from the smartphones for consumers business and plasma panels, despite steady sales in BtoB (business-to-business) businesses.

Segment profit increased by 9% to 36 billion yen from 33 billion yen a year ago, due mainly to a sales increase in BtoB (business-to-business) businesses as well as the effect of business restructuring.

Sales in Automotive & Industrial Systems increased by 7% to 2,722 billion yen from 2,542 billion yen a year ago, due mainly to yen depreciation and sales growth in the automotive related business reflecting robust market conditions in the automotive industry as well as in the industrial field reflecting a recovery in capital investment. On the other hand, sales were unfavorable in the ICT (Information and Communication Technology) field due mainly to a decline in sales of devices for PCs.

Segment profit significantly improved to 69 billion yen from 0.2 billion yen a year ago, due mainly to favorable sales in the automotive related business, the return to profitability of the portable rechargeable battery business and a positive impact of yen depreciation.

Sales in Other decreased by 3% to 891 billion yen from 917 billion yen a year ago, due mainly to the SANYO-related business transfers implemented in fiscal 2013, despite strong sales posted by PanaHome Corporation due to a surge in consumer spending before the consumption tax hike in Japan.

Segment profit increased by 228% to 24 billion yen from 7 billion yen a year ago, due mainly to fixed cost reduction.

**(12) Sales Results by Region**

Sales results by region for fiscal 2014, as compared with the previous fiscal year, were as follows:

	Yen (billions)		Percent change
	Fiscal year ended		
	March 31,		
	2014	2013	
Domestic Sales:	3,898	3,790	3%
Overseas Sales:			
North and South America	1,135	1,022	11
Europe	740	666	11
Asia and Others	1,964	1,825	8
Total	3,839	3,513	9
Total	7,737	7,303	6%

Sales in the domestic market amounted to 3,898 billion yen, up 3% from 3,790 billion yen for the previous fiscal year. The sales increase in the domestic market was due mainly to a demand surge prior to the consumption tax hike in Japan.

Overseas sales amounted to 3,839 billion yen, up 9% from 3,513 billion yen for the previous fiscal year. The depreciation of the yen contributed to the overseas sales increase in Japanese yen terms.



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By region, sales in North and South America amounted to 1,135 billion yen, increasing from the previous fiscal year, due to, among other factors, positive sales in electronic components such as capacitors and automation controls.

Sales in Europe amounted to 740 billion yen, increasing from the previous fiscal year. In Asia and Others, sales amounted to 1,964 billion yen increasing from the previous fiscal year. Sales increases in Europe and Asia and Others, were due to, among other factors, favorable sales in automotive infotainment systems and automotive electronics businesses.

### Year ended March 31, 2013 compared with 2012

#### (1) Sales

Consolidated sales for fiscal 2013 amounted to 7,303 billion yen, down 7% from 7,846 billion yen for the previous fiscal year.

The electronics industry business environment continued to be difficult, with sluggish demand for flat-panel TVs mainly in Japan.

After the Lehman shock, Panasonic recognized deteriorating profitability, which was substantially due to its structural issues as well as the difficult business environment. During fiscal 2013 under the new management structure, Panasonic, therefore, implemented the following initiatives with a deep sense of crisis among its employees: reforming Head Office functions and decision-making processes, providing countermeasures for underperforming business and introducing BU (business unit) based management. In reforming the structure of Panasonic group-wide and providing a new direction, Panasonic has developed its corporate structure to create new customer value and a foundation for its recovery. These initiatives, however, have not yet to achieve any result and the fiscal 2013 annual results ended with poor outcomes.

#### (2) Cost of Sales and Selling, General and Administrative Expenses

In fiscal 2013, cost of sales amounted to 5,420 billion yen, down from the previous fiscal year, and selling, general and administrative expenses amounted to 1,722 billion yen, down from the previous fiscal year. These results are due mainly to the effects of sales declines and efforts to reduce the cost of raw materials.

#### (3) Interest Income, Dividends Received and Other Income

In fiscal 2013, interest income amounted to 9 billion yen down from 13 billion yen for the previous fiscal year, and dividends received amounted to 4 billion yen, down from 6 billion yen for the previous fiscal year. Panasonic recorded other income of 92 billion yen, an increase from 44 billion yen for the previous fiscal year. The increase in other income was due mainly to the realization of capital gain upon the sale of investments in equity securities.

#### (4) Interest Expense, Impairment Losses of Long-Lived Assets, Goodwill Impairment, and Other Deductions

Interest expense decreased 10% to 26 billion yen. Impairment losses of long-lived assets decreased by 65% to 138 billion yen. Impairment losses of 77 billion yen, 6 billion yen, 51 billion yen and 4 billion yen were related to Eco Solutions, AVC Networks, Automotive & Industrial Systems, and the remaining segments, respectively. Goodwill impairment increased 53% to 251 billion yen. Goodwill impairment of 72 billion yen, 91 billion yen, and 87 billion yen were related to Eco Solutions, AVC Networks, and Automotive and Industrial Systems. In other deductions, Panasonic recorded 79 billion yen of restructuring charges, including 38 billion yen related to the early retirement program.



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(5) Income (Loss) before Income Taxes

As a result of the above-mentioned factors, income (loss) before income taxes for fiscal 2013 amounted to a loss of 398 billion yen, compared with a loss of 813 billion yen for the previous fiscal year, due mainly to incurring goodwill impairment and expenses associated with impairment losses on long-lived assets.

(6) Provision for Income Taxes

Provision for income taxes for fiscal 2013 amounted to 385 billion yen, a significant increase compared with 10 billion yen for the previous fiscal year. Taking into consideration significant sales decreases in Japan and other factors, in accordance with the provision of ASC 740, Panasonic increased the valuation allowances for deferred tax assets in Panasonic Corporation and Panasonic Mobile Communications Co., Ltd., and incurred a provision for income taxes of 413 billion yen, in the second quarter of fiscal 2013. For more information, see Note 10 of the Notes to Consolidated Financial Statements.

(7) Equity in Earnings of Associated Companies

In fiscal 2013, equity in earnings of associated companies amounted to 8 billion yen, compared with 6 billion yen for the previous fiscal year.

(8) Net Income (Loss)

As a result of all the factors stated in the preceding paragraphs, Panasonic recorded a loss of 775 billion yen for fiscal 2013, compared with a loss of 816 billion yen for the previous fiscal year.

(9) Net Income (Loss) attributable to noncontrolling interests

Net income attributable to noncontrolling interests amounted to a loss of 21 billion yen for fiscal 2013, compared with a loss of 44 billion yen for the previous fiscal year.

(10) Net Income (Loss) attributable to Panasonic Corporation

As a result of all the factors stated in the preceding paragraphs, Net income attributable to Panasonic Corporation recorded a loss of 754 billion yen for fiscal 2013, compared with a loss of 772 billion yen for the previous fiscal year.

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## (11) Results of Operations by Segment

Results of operations by segment for fiscal 2013, as compared with the previous fiscal year, were as follows:

	Yen (billions)		Percent change
	Fiscal year ended March 31,		
	2013	2012	
<b>Sales:</b>			
Appliances	1,735	2,078	(17)%
Eco Solutions	1,508	1,498	1
AVC Networks	1,187	1,393	(15)
Automotive & Industrial Systems	2,542	2,605	(2)
Other	917	1,282	(28)
Eliminations and adjustments	(585)	(1,008)	
<b>Total</b>	<b>7,303</b>	<b>7,846</b>	<b>(7)%</b>
<b>Segment profit (loss):</b>			
Appliances	43	37	17%
Eco Solutions	60	60	(0.2)
AVC Networks	33	(1)	
Automotive & Industrial Systems	0.2	(91)	
Other	7	(12)	
Eliminations and adjustments	17	50	
<b>Total</b>	<b>161</b>	<b>44</b>	<b>268%</b>

Appliances sales decreased by 17% to 1,735 billion yen from 2,078 billion yen a year ago, due mainly to a sales decline in TV as well as flat global demand, particularly for one of its main products in China, air conditioners, despite favorable sales in refrigerators and rice cookers.

Segment profit increased by 17% to 43 billion yen compared with 37 billion yen a year ago, due mainly to restructuring benefits.

Sales in Eco Solutions increased by 1% to 1,508 billion yen from 1,498 billion yen a year ago, due to, among other factors, a sales increase due to sales growth in LED lighting and energy management system products, supported by demand for power conservation, despite weak sales of solar photovoltaic systems as a result of shrinkage of the European market.

Despite a drop in product prices, segment profit amounted to 60 billion yen, the same as a year ago, due mainly to streamlining material costs.

Sales of AVC Networks decreased 15% to 1,187 billion yen, compared with 1,393 billion yen for the previous fiscal year, due mainly to a sales decrease in mobile phones and office equipment, despite steady sales in the solution business, including sales of aircraft in-flight entertainment systems, and strong sales in the security business, including sales of surveillance cameras.

Segment profit improved to 33 billion yen compared with a loss of 1 billion yen from a year ago, due mainly to fixed cost reduction and restructuring benefit.

Sales of Automotive & Industrial Systems decreased 2% to 2,542 billion yen, from the previous fiscal year's 2,605 billion yen. Despite automotive-related market recovery in North America and South Asia and Japanese vehicle sales volume increases with backing from eco-car subsidies and growing demand of devices for smartphones and tablets, this result was due mainly to a sales decrease in lithium-ion batteries and other devices affected by stagnant demand for notebook PCs.

Segment profit significantly improved to 0.2 billion yen from a loss of 91 billion yen a year ago due mainly to fixed cost reductions and streamlining material cost.



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Sales in Other decreased by 28% to 917 billion yen from 1,282 billion yen a year ago due mainly to a sales decrease related to SANYO-related business transfers implemented in the fiscal 2012.

Segment profit increased to 7 billion yen from a loss of 12 billion yen a year ago due mainly to restructuring benefits.

**(12) Sales Results by Region**

Sales results by region for fiscal 2013, as compared with the previous fiscal year, were as follows:

	Yen (billions) Fiscal year ended March 31,		Percent change
	2013	2012	
Domestic Sales:	3,790	4,162	(9)%
Overseas Sales:			
North and South America	1,022	967	6
Europe	666	744	(10)
Asia and Others	1,825	1,974	(8)
Total	3,513	3,684	(5)
Total	7,303	7,846	(7)%

Sales in the domestic market amounted to 3,790 billion yen, down 9% from 4,162 billion yen for the previous fiscal year. The decrease in the domestic market was due mainly to a decrease in sales in the consumer market for digital products such as flat-panel TVs, digital cameras and Blu-ray disc players.

Overseas sales amounted to 3,513 billion yen, down 5% from 3,684 billion yen for the previous fiscal year, due mainly to sales declines in AV products.

By region, sales in North and South America amounted to 1,022 billion yen, increasing from the previous fiscal year. The sales increase in North and South America was due mainly to favorable sales in automotive related business.

Sales in Europe amounted to 666 billion yen, decreasing from the previous fiscal year. In Asia and Others, sales amounted to 1,825 billion yen, decreasing from the previous fiscal year. Sales in Europe and Asia and Others were weaker than the previous year due mainly to sales declines in AV products.

**Restructuring Activities**

On an on-going basis, Panasonic monitors the dynamics of the economy in general, as well as the industries and the markets in which Panasonic operates, and continues to assess opportunities for improved operational effectiveness and efficiency and better alignment of expenses with revenues, while preserving the ability to make investments in research and development projects, capital and human resources, that are essential to Panasonic's long-term success. As a result of these assessments, Panasonic has undertaken various restructuring initiatives in order to enhance Panasonic's growth potential and ability to achieve long-term success.

Various restructuring activities resulted in Panasonic incurring restructuring charges of 64 billion yen and 79 billion yen for the years ended March 31, 2014 and 2013, respectively. None of the restructuring activities, which occurred during the fiscal 2014 and 2013, were significant on an individual basis.

**Liquidity and Capital Resources**

*Panasonic's Policy on Financial Position and Liquidity*

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Panasonic maintains a basic policy of financing all required funds from internal sources. It also practices efficient fund management through internal financing activities. In cases where Panasonic needs to secure funds

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for purposes such as working capital or business investments, Panasonic raises external funds by appropriate measures considering its financial structure and financial market conditions. The balance of commercial paper outstanding decreased to zero as of March 31, 2014. Panasonic redeemed the eighteenth series of unsecured straight bonds totaling 10 billion yen issued by SANYO in June 2003, the second series of unsecured straight bonds totaling 20 billion yen issued by PEW in February 2004, and the seventh series of unsecured straight bonds totaling 200 billion yen issued in March 2009, which fell due in June 2013, December 2013, and March 2014, respectively. The ratio of shareholders equity to total assets as of March 31, 2014 was 29.7%, up from 23.4% as of March 31, 2013. The total of short-term borrowings and long-term debt amounted to 642 billion yen as of March 31, 2014, decreased from 1,143 billion yen a year ago. Cash and cash equivalents increased to 592 billion yen as of March 31, 2014, compared with the previous year's 496 billion yen as of March 31, 2013.

In order to facilitate access to global capital markets, Panasonic obtains credit ratings from the world's two leading credit rating agencies, Moody's Japan K.K., or Moody's, and Standard & Poor's Rating Japan, or S&P. In addition, Panasonic obtains credit ratings from Rating and Investment Information, Inc., or R&I, a rating agency nationally recognized in Japan, primarily for access to the Japanese capital markets. As of March 31, 2015, Panasonic's debt ratings were: Moody's: Baa1 (long-term, outlook: positive) up from Baa2 on February 19, 2015 (this upgrade in credit ratings, according to Moody's, was due mainly to the ongoing improvements in Panasonic's profile, as evidenced by steady improvement in its profitability with increasing earnings stability, and its efforts to maintain a solid balance sheet by keeping its leverage low); S&P: BBB+ (long-term, outlook: positive) up from BBB in July 2014 (this upgrade in credit ratings reflected the S&P's opinion that drastic structural reforms and cost reductions would enable Panasonic to sustain or slightly improve its profitability, which has improved significantly over the past two years, and the fact Panasonic has slashed debt thanks to a recovery in business performance as well as asset sales and a likelihood that strong business performance will keep key financial ratios, including debt to EBITDA at healthy levels; also, in revising the outlook on Panasonic's credit rating from stable to positive in November 2014, S&P stated that this revision reflected S&P's view that there were growing prospects for a streamlined cost structure and that there had been better-than-expected progress in enhancing Panasonic's business portfolio to further increase Panasonic's EBITDA margin to above 9.5% over the next one to two years), A-2 (short-term); and R&I: A (long-term, outlook: stable) up from A- in October 2014 (this upgrade in credit ratings reflected the R&I's view that Panasonic overall has been able to constantly secure certain levels of profits and cash flows, supported by the earnings from the BtoB (business-to-business) solutions business area on which it has been focusing, such as automotive products and housing equipment, and net debt is decreasing as well), a-1 (short-term).

Panasonic believes that its credit ratings include the rating agencies' assessment of the general operating environment, its positions in the markets in which it competes, reputation, movements and volatility in its earnings, risk management policies, liquidity and capital management. An adverse change in any of these factors could result in a reduction of Panasonic's credit ratings, and that could, in turn, increase its borrowing costs and limit its access to the capital markets or require it to post additional collateral and permit counterparties to terminate transactions pursuant to certain contractual obligations.

With the above-mentioned cash balance, combined with the credit ratings from leading credit rating agencies, Panasonic believes that it has sufficient sources of liquidity for both working capital and long-term investment needs.

As of March 31, 2014, the outstanding balance of short-term borrowings totaled 85 billion yen, and long-term debt was 557 billion yen. Panasonic's borrowings are not significantly affected by seasonal factors. For more information, see Note 8 of the Notes to Consolidated Financial Statements. Most borrowings are at fixed rates. On March 10, 2015, Panasonic issued unsecured straight bonds in Japan in the aggregate principal amount of 400 billion yen, for the purpose of capital expenditures and the redemption of bonds.

Regarding cash flows, Panasonic uses free cash flow (see "Operating results" Key performance indicators included elsewhere in this prospectus) as an important indicator to evaluate its performance.

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Regarding the use of financial instruments for hedging purposes, see Quantitative and Qualitative Disclosures about Market Risk included elsewhere in this prospectus.

*Financial Position and Liquidity as of and for the Six Months ended September 30, 2014*

Panasonic's consolidated total assets as of September 30, 2014 increased to 5,345 billion yen compared with 5,213 billion yen as of March 31, 2014. This increase was due mainly to the depreciation of the yen and seasonal increase in its inventory, despite decrease in property, plant and equipment.

Panasonic's consolidated total liabilities as of September 30, 2014 decreased to 3,597 billion yen compared with 3,627 billion yen as of March 31, 2014. This decrease was due mainly to repayments of unsecured straight bonds.

Panasonic Corporation shareholders' equity as of September 30, 2014 increased to 1,590 billion yen compared with 1,548 billion yen as of March 31, 2014. This increase was due mainly to recording net income attributable to Panasonic Corporation and an improvement in accumulated other comprehensive income (loss) by the depreciation of the yen, despite a decrease in capital surplus accompanied by the acquisition of additional interests of its subsidiaries.

Noncontrolling interests amounted to 158 billion yen, an increase from 38 billion yen as of March 31, 2014.

	Yen (billions)	
	Six months ended September 30, 2014	2013
Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows	102	100
Effects of timing difference between acquisition dates and payment dates	(8)	(12)
Capital investment	94	88

Capital investment (excluding intangibles) during the six months ended September 30, 2014 totaled 94 billion yen, up 7% from the same period of the previous fiscal year's total of 88 billion yen, as shown in the above table.

Depreciation (excluding intangibles) during the six months ended September 30, 2014 amounted to 115 billion yen, down 17% compared with 139 billion yen in the same period of the previous fiscal year.

Net cash provided by operating activities in the six months ended September 30, 2014 totaled 167 billion yen, an increase of 6 billion yen from the same period for the previous fiscal year. This was due mainly to an improvement in working capital including an increase in trade payables. Net cash used in investing activities in the six months ended September 30, 2014 amounted to 80 billion yen, an increase of 34 billion yen from the same period of the previous fiscal year. This difference from a year ago was due mainly to a decrease in proceeds from disposals of investments in equity securities. Net cash used by financing activities in the six months ended September 30, 2014 amounted to 78 billion yen, a decrease of 92 billion yen from the same period of the previous fiscal year. This was due mainly to a decrease in the repayment of interest-bearing debt, partially offset by an increase in dividend payments. All these activities resulted in cash and cash equivalents of 635 billion yen as of September 30, 2014, after taking into account the effect of exchange rate changes on cash and cash equivalents, up 42 billion yen compared with the balance as of March 31, 2014.

Free cash flow in the six months ended September 30, 2014 amounted to a cash inflow of 87 billion yen, compared with a cash inflow of 115 billion yen for the same period of the previous fiscal year. For a reconciliation of free cash flow to the most directly comparable U.S. GAAP financial measure and related discussion, see Operating results Key performance indicators included elsewhere in this prospectus.

**Table of Contents***Fiscal 2014 Financial Position and Liquidity*

Panasonic's consolidated total assets as of March 31, 2014 decreased to 5,213 billion yen, as compared with 5,398 billion yen at the end of the previous fiscal year due mainly to impairment losses on property, plant and equipment and business transfers, including in connection with the healthcare business, despite a positive effect on total assets resulting from a depreciation of the yen.

Panasonic's consolidated total liabilities as of March 31, 2014 decreased to 3,627 billion yen, as compared with 4,094 billion yen at the end of the previous fiscal year, due to a decrease in retirement and severance benefits and a reduction in interest-bearing debt including short-term bonds and the redemption of its seventh series of unsecured straight bonds.

Panasonic Corporation shareholders' equity as of March 31, 2014 amounted to 1,548 billion yen, an increase from 1,264 billion yen at the end of the previous fiscal year, due mainly to net income for the year and an improvement in accumulated other comprehensive income (loss), along with the positive impact on shareholders' equity of the depreciation of the yen.

Noncontrolling interests amounted to 38 billion yen at March 31, 2014, mostly unchanged from 40 billion yen at the end of the previous fiscal year.

	Yen (billions)	
	Fiscal year ended March 31, 2014	2013
Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows	202	320
Effects of timing difference between acquisition dates and payment dates	15	(9)
<b>Capital investment</b>	<b>217</b>	<b>311</b>

Capital investment (excluding intangibles) during fiscal 2014 totaled 217 billion yen, down 30% from the previous fiscal year's total of 311 billion yen, as shown in the above table. Principal capital investments consisted of solar modules manufacturing facilities (Malaysia) and manufacturing facilities for portable rechargeable batteries mainly used for vehicles (Osaka, Japan).

Depreciation (excluding intangibles) during fiscal 2014 amounted to 279 billion yen, almost unchanged from 278 billion yen in the previous fiscal year.

Net cash provided by operating activities in fiscal 2014 amounted to 582 billion yen, compared with 339 billion yen in the previous fiscal year. This increase was due mainly to an increase in operating profit\*. Net cash provided by investing activities amounted to 12 billion yen, compared with 16 billion yen in the previous fiscal year. This decrease was due primarily to a decrease in proceeds from the disposition of investments and advances, despite a decrease in capital expenditures and a gain from the transfer of the healthcare business. Net cash used in financing activities was 532 billion yen, compared with 491 billion yen in the previous fiscal year. This increase was due mainly to a reduction of the balance of interest-bearing debt including short-term bonds and long-term debt.

Free cash flow in fiscal 2014 amounted to a cash inflow of 594 billion yen, an increase of 239 billion yen from the previous fiscal year. This result was due mainly to an increase in operating profit\*, a decrease in capital expenditures and a gain from the transfer of the healthcare business. For a reconciliation of free cash flow to the most directly comparable U.S. GAAP financial measure and related discussion, see Operating results Key performance indicators included elsewhere in this prospectus.

\* In order to be consistent with generally accepted financial reporting practices in Japan, operating profit, a non-GAAP measure, is presented as net sales less cost of sales and selling, general and administrative expenses. Panasonic believes that this is useful to investors in comparing Panasonic's financial results with those of other Japanese companies.



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### *Commitments for Capital Expenditures*

As of March 31, 2014, commitments outstanding for the purchase of property, plant and equipment amounted to 4 billion yen. Panasonic plans to fund these capital commitments with free cash flows, cash on hand and other sources of cash regularly used in the normal course of business.

### *Foreign Undistributed Earning*

The undistributed earnings of Panasonic's foreign subsidiaries and foreign corporate joint ventures, which are indefinitely reinvested, amounted to 887 billion yen as of March 31, 2014. Accordingly, cash and cash equivalents and investments in securities amounts held by Panasonic's foreign subsidiaries, totaling approximately 855 billion yen as of March 31, 2014, are not available for dividend distributions by Panasonic in Japan. Panasonic currently believes it does not need for the cash and investments held by its foreign subsidiaries and foreign corporate joint ventures to be repatriated back to Japan because Panasonic has adequate liquidity within Japan to support its Japanese operations and repay its debt obligations.

### *Research and Development*

Panasonic focused on developing technologies to realize comfortable lifestyles and a safe society in the future, from the consumer electronics, housing related and automotive fields to social infrastructure-related fields.

R&D Expenditures amounted to 479 billion yen, 502 billion yen and 520 billion yen for the years ended March 31, 2014, 2013 and 2012, respectively, representing 6.2%, 6.9% and 6.6% of Panasonic's total net sales for each of those years.

Key development themes during fiscal 2014 were as follows:

(1) Realization of an interactive house with voice-controlled consumer electronics and home equipment

With the use of cloud computing, Panasonic has developed an interactive processing technology that can be operated by spoken words and directional microphone technology that can select human voices. The technologies make it possible for TVs, cooking equipment, lighting and other equipment to be operated by voice control. They also introduce a function which recommends operating the drying function for newly washed clothes in the case that rain is forecasted.

This development makes consumer electronics and home equipment simple for anyone to use by interaction, and continues their evolution into assistants that can make suggestions about matters that would otherwise go unnoticed by users.

(2) Development of high-resolution 4K signage (digital signage) that can be operated by touch in mid-air as though by a touch panel

Panasonic has developed a sensing technology that enables users to get real-time location information without touching anything. With this technology, users can use their fingers to simply and accurately control an operating screen generated in mid-air, like a touch panel, at the optimal viewing distance for a 4K display (1.5 times the height of the display).

This development allows users to search for products as they like through a mid-air operating screen while viewing signage images that seem as real as looking through a show window.

(3) Advance in safety support systems at intersections with higher resolution millimeter-wave radar detection

Panasonic has developed a radar technology that allows for accurately distinguishing and locating pedestrians, who have weak radar reflections in comparison with cars, and a filtering technology that

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reduces interference between several radars positioned around a wide field of view. With these technologies, pedestrians can be detected when they are 20 centimeters away from vehicles in less than 0.1 seconds at a range of 40 meters.

This development will accelerate the advancement and dissemination of safety support systems that can function at night and in bad weather conditions as detection sensors for the advance prevention of accidents at intersections.

### **(4) Development of highly effective water purification system using a new unique photocatalyst**

Panasonic has successfully developed a photocatalyst that combines a TiO<sub>2</sub> photocatalyst with zeolite particles through electrostatic attraction. In this system, nanoparticulate photocatalysts purify water and then are bound to zeolite particles and separated from water, allowing for the collection with compact and simple equipment after use. By realizing a small-scale, stand-alone water purification unit that uses sunlight, this development represents a major step forward in the quest to secure safe and low-cost drinking water. The technology will be of use in developing countries, for example by creating a source of drinking water from groundwater containing hazardous metals.

## **Trend Information**

Towards the end of fiscal 2015, the global economic outlook was mixed with outlook varying by region and influenced by, among other factors, geopolitical risks, price decline of natural resources, the timing of the end of the U.S. monetary easing and the postponed increase of consumption tax in Japan. The U.S. economic recovery is expected to continue, on the back of improving labor market and stable consumer spending. The Japanese economy is expected to recover mildly, due to the Japanese government's decision to delay a planned consumption tax hike, in addition to the favorable impact of the decline of crude oil prices, and yen depreciation, despite two consecutive quarters of negative GDP growth. On the other hand, stagnation is expected for most European countries, due, in part, to geopolitical risks. In China, high growth may not continue if the government continues to rein in excessive investments.

While Panasonic aims to continue to carry forth its consumer electronics DNA of being close to its customers' lives, it also aims to pursue a better life for each customer in a broader sense with a variety of partners. To this end, Panasonic launched its new midterm management plan, Cross-Value Innovation 2015 or CV2015, in fiscal 2014. Under CV2015, Panasonic worked to achieve the following two targets: immediately eliminate unprofitable businesses, and focus on working step by step towards Panasonic's future aims. With the goal of creating a closer relationship with its customers and providing greater value, Panasonic has concretely identified the plan's key initiatives as the following: eliminate unprofitable businesses, improve financial position, expand business and improve efficiency by shifting from an in-house approach, and implement growth strategy from the customers' viewpoint.

Panasonic's fiscal 2015, the second year of CV2015, was defined as a year to form a foundation to achieve the goals set in CV2015, set growth strategies for a New Panasonic by fiscal 2019, and make further progress on the plan.

Panasonic has accelerated business restructuring to complete restructuring for its major challenges in fiscal 2014. In fiscal 2015, Panasonic worked toward its future, reforming to create a strong business structure.

In April 2013, Panasonic introduced a new business division system and divisional company system whereby management would be based on a business-focused approach. As part of the change to Business Division-based management which started in fiscal 2014 with 49 business divisions organized under four Divisional Companies, Panasonic assessed the future of every business and took measures on challenging businesses, resulting in Panasonic starting fiscal 2015 with 43 business divisions reporting four Divisional Companies. Panasonic will improve profitability, changing and evolving through initiatives such as business focus shifting into new business areas.

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In addition to the above, Panasonic is contemplating the assignment of the business of CISC to Panasonic IS after the Share Exchange. For more information regarding the contemplated assignment of the business of CISC to Panasonic IS, see [The Share Exchange Reasons for the Share Exchange](#).

Also, in working toward growth, management strategies would incorporate a region-focused standpoint in order to get closer to customers. Specifically, Panasonic has resolved to categorize its products into five market areas of Consumer Electronics, Housing Related, Automotive, BtoB Solutions, and Devices, and combine these categories with three regional categories for its global operations: Japan, Europe and the Americas including Central and South America, and Strategic Regions comprised of Asia, China, the Middle East and Africa. Based on this model, Panasonic strives to shape its growth strategy after clarifying regions in which to concentrate its business resources.

As part of its growth strategy for a New Panasonic, Panasonic has set sales targets for each of the five market areas in which it does business and aims to improve the profitability in these market areas, through the use of both conventional and unconventional means.

To develop business opportunities in overseas strategic regions, where growth potential exists, Panasonic established the Strategic Regions Business Promotion Division as of April 2014, to garner the growth in the market with the concept of stop being dependent on Japan. In fiscal 2015, Panasonic formed a foundation to further improve its growth potential and strengthen its group-wide strategic efforts.

## **Off-Balance Sheet Arrangements**

Panasonic sells receivables without recourse and with recourse, as off-balance sheet arrangements in order to provide additional liquidity and reduce its total assets.

In fiscal 2014, proceeds from the sale of leased-back assets were not material to Panasonic's operations. Panasonic guarantees a specific value of the leased assets. These leases are classified as operating leases for U.S. GAAP purposes. Including the above-mentioned arrangements, the aggregate amount of future minimum lease payments under non-cancelable operating leases was 81 billion yen as of March 31, 2014. For more information, see Note 5 of the Notes to Consolidated Financial Statements.

In fiscal 2014, Panasonic sold, without recourse, trade receivables of 617 billion yen to independent third parties for proceeds of 614 billion yen. In fiscal 2014, Panasonic sold, with recourse, trade receivables of 501 billion yen to independent third parties for proceeds of 501 billion yen. The sale of trade receivables to third parties has been, and continues to be, an important source of liquidity for Panasonic. For more information, see Note 16 of the Notes to Consolidated Financial Statements.

In addition, Panasonic provides several types of guarantees and similar arrangements. For more information, see Note 19 of the Notes to Consolidated Financial Statements.

**Table of Contents****Tabular Disclosure of Contractual Obligations**

The two tables below show Panasonic's cash payment obligations and guarantees and other commercial commitments, broken down by the payment amounts due for each of the periods specified below, as of March 31, 2014:

	Yen (millions)				
	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
<b>Contractual Obligations:</b>					
Long-Term Debt Obligations	554,414	32,380	241,549	250,246	30,239
Interest Obligations	21,180	6,671	9,414	4,854	241
Capital Lease Obligations	44,541	9,201	15,490	12,870	6,980
Operating Lease Obligations	81,170	31,631	23,159	10,130	16,250
Purchase Obligations	79,158	18,899	25,498	21,571	13,190
Defined Benefit Plan Contribution	56,930	56,930			
<b>Total Contractual Cash Obligations</b>	<b>837,393</b>	<b>155,712</b>	<b>315,110</b>	<b>299,671</b>	<b>66,900</b>

Note: Contingent payments related to uncertain tax positions of 15 billion yen are excluded from the table above, as it is not possible to reasonably predict the ultimate amount of settlement or timing of payment.

	Yen (millions) Total Amounts Committed
<b>Other Commercial Commitments:</b>	
Guarantees	26,095
<b>Total Commercial Commitments</b>	<b>26,095</b>

Discounted exported bills generally have contractual lives of less than one year. Loan guarantees are principally provided on behalf of employees, associated companies and customers, and generally have long-term contractual lives coinciding with the maturities of the guaranteed obligations. For more information, see Notes 5, 8, 9, 10 and 19 of the Notes to Consolidated Financial Statements.

**Accounting Principles*****Critical Accounting Policies***

Panasonic has identified the following critical accounting policies which are important to its financial condition and results of operations, and require management's judgment.

**Long-lived Assets**

The useful lives of long-lived assets are summarized in Note 1(h) of the Notes to Consolidated Financial Statements included in this prospectus and reflect the estimated period that Panasonic expects to derive economic benefit from their use. In estimating the useful lives and determining whether subsequent revisions to the useful lives are necessary, Panasonic considers the likelihood of technological obsolescence, changes in demand for the products related to such assets, and other factors which may affect their utilization of the long-lived assets. The effect of any future changes to the estimated useful lives of the long-lived assets could be significant to Panasonic's results of operations.

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Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets or asset group may not be recoverable. Recoverability of assets to be held and

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used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling costs. Factors which may contribute to the need for future impairment charges include changes in the use of assets resulting from Panasonic's restructuring initiatives, technological changes or any significant declines in the demand for related products.

Panasonic recognized impairment losses in the aggregate of 104 billion yen on long-lived assets during fiscal 2014. Impairment losses are not charged to segment profit.

In fiscal 2014, Panasonic recorded impairment losses for certain machinery related to a domestic flat TV manufacturing facility in the AVC Networks and Automotive & Industrial Systems segment. Based on Panasonic's mid-term forecast of the business, Panasonic estimated that the carrying amounts would not be recoverable through future cash flows. Panasonic also recorded impairment losses for certain machinery of domestic and foreign manufacturing facilities related to the resin-based multi-layer printed circuit board business, and thin and high density interposer business among the printed circuit board business in the Automotive & Industrial Systems segment. As a result of the decision to discontinue these businesses, Panasonic estimated that the carrying amounts would not be recoverable through future cash flows. Furthermore, Panasonic recorded impairment losses for certain land, buildings, and machinery related to domestic and foreign semiconductor business in the Automotive & Industrial Systems segment. Through the business restructuring activities, Panasonic estimated that the carrying amounts would not be recoverable through future cash flows.

The fair value of the above-mentioned asset or asset group was mainly determined through an appraisal based on the repurchase cost. Impairment losses were calculated based on excess of the carrying amount of the long-lived asset over the long-lived asset's fair value. For further discussion on long lived assets, see Note 6 of the Notes to Consolidated Financial Statements.

## Valuation of Investment Securities

Panasonic holds available-for-sale securities, held-to-maturity securities, equity method securities and cost method securities, included in short-term investments, and investments and advances. Available-for-sale securities are carried at fair value with unrealized holding gains and losses included as a component of accumulated other comprehensive income (loss), net of applicable taxes.

Individual securities are reduced to their fair value by a charge to earnings for other-than-temporary declines in fair value. Management regularly reviews each investment security for impairment based on criteria that includes the extent to which cost exceeds market value, the duration of that market decline and the financial health of and specific prospects for the issuer. Because such specific information may become available after Panasonic makes the impairment evaluation, and whether the impairment is other-than-temporary depends upon future events that may or may not occur, Panasonic may be required to recognize an other-than-temporary impairment in the future. Determination of whether a decline in value is other-than-temporary requires judgment. At March 31, 2014, Panasonic has recorded 65 billion yen of available-for-sale securities, 21 billion yen of cost method securities, 24 billion yen of equity method securities that have market values, and 162 billion yen of equity method securities that do not have market values, advances and others. These investments could be determined to be other-than-temporarily impaired, depending on changes to the current facts and assumptions. In fiscal 2014, Panasonic did not record material impairment losses on investment securities.

For further discussion on valuation of investment securities, see Notes 3 and 4 of the Notes to Consolidated Financial Statements.

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### Valuation of Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis or average basis, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale. Panasonic routinely reviews its inventories for their salability and for indications of obsolescence to determine if inventories should be written-down to net realizable value. Judgments and estimates must be made and used in connection with establishing such provision in any accounting period. In estimating the net realizable value of its inventories, Panasonic considers the age of the inventories and the likelihood of spoilage or changes in market demand for its inventories.

### Warranties

Panasonic makes estimates of potential warranty claims related to its goods sold. Panasonic provides for such costs based upon historical experience and its estimate of the level of future claims. Management makes judgments and estimates in connection with establishing the warranty reserve in any accounting period. Differences may result in the amount and timing of its revenue for any period if management makes different judgments or utilizes different estimates. For more information, see Note 19 of the Notes to Consolidated Financial Statements.

### Valuation of Accounts Receivable and Noncurrent Receivables

Panasonic reviews its accounts receivable on a periodic basis and provides an allowance for doubtful receivables based on historical loss experience and current economic conditions. In evaluating the collectibility of individual receivable balances, Panasonic considers the age of the balance, the customers' payment history, their current credit-worthiness and adequacy of collateral.

Panasonic records noncurrent receivables, representing loans from finance lease transactions, at cost, less the related allowance for impaired receivables. A loan is considered to be impaired when, based on current information and events, it is probable that Panasonic will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows or the fair value of the collateral. Cash receipts on impaired receivables are applied to reduce the principal amount of such receivables until the principal has been recovered and are recognized as interest income thereafter. Management's judgment is required in making estimates of the future cash flows of an impaired loan. Such estimates are based on current economic conditions and the current and expected financial condition of the debtor. For more information, see Schedule II of the Consolidated Financial Statements.

### Valuation of Goodwill

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the goodwill may be impaired, such as an adverse change in business climate. Impairment is recorded for an amount by which the carrying value of goodwill exceeds its implied fair value, if the implied fair value of goodwill is less than its carrying amount. The fair value determination used in the impairment assessment requires estimates of the fair value of reporting units based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions by management. These estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change. At March 31, 2014, Panasonic has recorded 473 billion yen of goodwill, part or all of which could be determined to be impaired in future periods, depending on changes to the current facts and assumptions. For further discussion on goodwill, see Note 7 of the Notes to Consolidated Financial Statements.

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Panasonic identified capacitor business as a reporting unit with material amounts of goodwill at risk of failing step one of the goodwill impairment test. Capacitor business had a fair value that was approximately 24% in excess of its carrying value. The amount of goodwill allocated to this reporting unit is 17 billion yen.

Panasonic determined the fair value of the reporting unit based on weighting of the income and market approaches. Under the income approach, Panasonic calculated the fair value of the reporting unit based on the present value of estimated cash flows using a discounted cash flow method. Such cash flows were based on internal forecasts and projections developed as part of Panasonic's routine, long-term planning process, available industry/market data, Panasonic's strategic plans, and estimates of long-term growth rates. Panasonic considered the current economic environment and the timing and degree of any economic recovery, estimated useful life of long-lived assets over which the cash flows will occur, and market participant assumptions. GDP growth, consumer price inflation or other economic fundamentals of Japan and other countries were also considered in projecting the cash flows of the reporting unit. A terminal value was included in the discounted cash flow analysis.

Under the market approach, Panasonic estimated the fair value based on the Guideline Public Company, or GPC, Method and the Guideline Merged and Acquired Company, or GMAC, Method. Using these methods, Panasonic selected publicly-traded guideline companies and guideline transactions for our analysis. Panasonic selected guideline companies in the industry where each reporting unit operates. Panasonic also selected guideline transactions that involved targets in the industry where each reporting unit operates. For both the GPC Method and the GMAC Method, Panasonic primarily used EBITDA multiples based on the multiples of the selected guideline companies and guideline transactions.

### **Valuation of Deferred Tax Assets and Sustainability of Uncertain Tax Positions**

In assessing the realizability of deferred tax assets and uncertain tax positions based on the expected future generation of taxable income or assessed sustainability of uncertain tax positions, Panasonic considers whether it is more likely than not that any portion or all of the deferred tax assets or recognized benefit under uncertain tax position benefit will not be realized. The ultimate realization of deferred tax assets and uncertain tax positions is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or dependent on assessed sustainability of uncertain tax positions. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment over the valuation of deferred tax assets.

At March 31, 2014, Panasonic has recorded gross deferred tax assets of 1,581 billion yen with a total valuation allowance of 1,367 billion yen. Included in the gross deferred tax assets is 779 billion yen resulting from net operating loss carryforwards, or NOLs, of 2,268 billion yen, which are available to offset future taxable income. In order to fully realize these NOLs, Panasonic will need to generate sufficient taxable income by the expiration of these NOLs. These NOLs of 2,109 billion yen expire from fiscal 2015 through 2023 and the remaining balance expire thereafter or do not expire. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Panasonic will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2014 based on available evidence. Panasonic could be required to increase the valuation allowance if such assumptions would change concluding that Panasonic would not be able to generate sufficient taxable income. At March 31, 2014, Panasonic has recorded 15 billion yen of unrecognized tax benefits. For further discussion on valuation of deferred tax assets and realizability of uncertain tax positions, see Note 10 of the Notes to Consolidated Financial Statements.

### **Retirement and Severance Benefits**

Retirement and severance benefits costs and obligations are dependent on assumptions used in calculating such amounts. The discount rate and expected return on assets are the most critical assumptions among others,



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including retirement rates, mortality rates and salary growth. While Panasonic's management believes that the assumptions used are appropriate, actual results in any given year could differ from actuarial assumptions because of economic and other factors. The resulting difference is accumulated and amortized and therefore, generally affect Panasonic's retirement and severance benefit costs in future periods.

Panasonic determines discount rates by looking to rates of return on high-quality fixed income investments, and the expected long-term rate of return on pension plan assets by considering the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. Decreases in discount rates lead to increases in benefit obligations which, in turn, could lead to an increase in amortization cost through amortization of actuarial gain or loss, and vice versa. A decrease of 50 basis points in the discount rate is expected to increase the projected benefit obligation by approximately 7 percent. A decline in market stock values generally results in a lower expected rate of return on plan assets, which would result in an increase of future retirement and severance benefit costs.

## Accounting for Derivatives

Panasonic has limited involvement with derivative financial instruments and does not use them for trading purposes. Panasonic uses derivative instruments principally to manage foreign currency risks resulting from transactions denominated in currencies other than the Japanese yen. Panasonic recognizes all derivatives as either assets or liabilities on the balance sheet at their fair values. Changes in the fair value of a derivative are reported in earnings or other comprehensive income (loss) depending on their use and whether they qualify for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative depends on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the hedged item. Panasonic evaluates and determines on a continuous basis if the derivative remains highly effective in offsetting changes in the fair value or cash flows of the hedged item. If the derivative ceases to be highly effective in offsetting changes in the fair value or cash flows of the hedged item, Panasonic discontinues hedge accounting prospectively. Because the derivatives Panasonic uses are not complex, significant judgment is not required to determine their fair values. Fair values are determined based principally on unadjusted market prices or quotations from brokers.

## Loss Contingencies

Loss contingencies may from time to time arise from situations such as product liability claims, warranty claims, disputes over intellectual property rights, environmental remediation obligations, and other legal actions. Loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. In recording liabilities for probable losses, management is required to make estimates and judgments regarding the amount or range of the probable loss. Management continually assesses the adequacy of estimated loss contingencies and, if necessary, adjusts the amounts recorded as better information becomes known.

## New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, or ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for Panasonic on April 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. Panasonic is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. Panasonic has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

**Table of Contents****Quantitative and Qualitative Disclosures about Market Risk**

Panasonic is exposed to market risk, including changes of foreign exchange rates, interest rates and prices of marketable securities and commodities. In order to hedge the risks of changes in foreign exchange rates, interest rates and commodity prices, Panasonic uses derivative financial instruments. Panasonic does not hold or issue financial instruments for trading purposes. Although the use of derivative financial instruments exposes Panasonic to the risk of credit-related losses in the event of nonperformance by counterparties, Panasonic believes that such risk is minor because of the high credit rating of the counterparties.

**Equity Price Risk**

Panasonic holds available-for-sale securities included in short-term investments and investments and advances. In general, highly-liquid and low risk instruments are preferred in the portfolio. Available-for-sale securities included in investments and advances are held as longer term investments. Panasonic does not hold marketable securities for trading purposes.

Maturities of investments in available-for-sale securities as of March 31, 2014 and March 31, 2013 are as follows:

	Yen (millions) As of March 31,			
	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Due after one year through five years	1,377	1,381	1,403	1,412
Due after five year through ten years	313	329	300	318
Equity securities	18,825	63,101	49,176	84,035
Total	20,515	64,811	50,879	85,765

**Foreign Exchange Risk**

The primary purpose of Panasonic's foreign currency hedging activities is to protect against the volatility associated with foreign currency transactions. Panasonic primarily utilizes forward exchange contracts and options with durations of less than a few months. Panasonic also enters into foreign exchange contracts from time to time to hedge the risk of fluctuation in foreign currency exchange rates associated with long-term debt that is denominated in foreign currencies. Foreign exchange contracts related to such long-term debt have the same maturity as the underlying debt.

The following table provides the notional amounts and fair values of foreign exchange contracts, primarily hedging U.S. dollar and euro revenues, as of March 31, 2014 and March 31, 2013. Amounts related to foreign exchange contracts entered into in connection with long-term debt denominated in foreign currencies which eliminate all foreign currency exposures, are shown below in the table beneath the heading Interest Rate Risk.

	Yen (millions) As of March 31,			
	2014		2013	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange contracts	856,774	2,074	782,101	(12,621)
Cross currency swaps	29,810	335	35,725	(184)

**Commodity Price Risk**

Panasonic is exposed to market risk of changes in prices of commodities including various non-ferrous metals used in the manufacturing of various products. Panasonic enters into commodity future contracts to offset certain exposure.



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The following table provides the contract amounts and fair values of commodity futures as of March 31, 2014 and March 31, 2013.

	Yen (millions)			
	As of March 31,			
	2014		2013	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Commodity futures	858,139	(5,786)	557,505	(5,846)

**Interest Rate Risk**

Panasonic's exposure to market risk for changes in interest rates relates principally to its debt obligations. Panasonic has long-term debt primarily with fixed rates. Fixed-rate debt obligations expose Panasonic to variability in their fair values due to changes in interest rates. To manage the variability in the fair values caused by interest rate changes, Panasonic enters into interest rate swaps when it is determined to be appropriate based on market conditions. Interest rate swaps change fixed-rate debt obligations to variable-rate debt obligations by entering into fixed-receiving, variable-paying interest rate swap contracts. The hedging relationship between interest rate swaps and hedged debt obligations is highly effective in achieving offsetting changes in fair values resulting from interest rate risk. The following tables provide information about Panasonic's financial instruments that are sensitive to changes in interest rates as of March 31, 2014 and March 31, 2013. For debt obligations, the table presents principal cash flows by expected maturity dates, related weighted average interest rates and fair values of financial instruments.

Long-term debt, including current portion<sup>(1)</sup>:

	Average interest rate	Yen (millions)							Fair value
		Carrying amount and maturity date (as of March 31, 2014)							
		Total	2015	2016	2017	2018	2019	There- after	
Unsecured straight bonds	1.3%	551,768	31,769	239,999		150,000	100,000	30,000	568,629
Unsecured bank loans	1.1%	1,821	611	1,199	11				1,821
Secured bank loans by subsidiaries	1.8%	825		223	117	121	125	239	825
Total		554,414	32,380	241,421	128	150,121	100,125	30,239	571,275

	Average interest rate	Yen (millions)							Fair value
		Carrying amount and maturity date (as of March 31, 2013)							
		Total	2014	2015	2016	2017	2018	There- after	
Unsecured straight bonds	1.3%	781,765	230,000	31,769	239,996		150,000	130,000	792,428
Unsecured bank loans	1.0%	100,294	41,591	58,409	282	12			99,741
Secured bank loans by subsidiaries	1.8%	1,074		233	122	125	131	463	1,074
Total		883,133	271,591	90,411	240,400	137	150,131	130,463	893,243

Note 1: Unsecured straight bonds as of March 31, 2014 and March 31, 2013 include bonds, originally issued by PEW or SANYO and transferred to Panasonic in fiscal 2012.

**Table of Contents****Directors and Management of Panasonic after the Share Exchange**

The following provides information about those individuals who are expected to remain or to be appointed in the general capacities indicated for Panasonic after the Share Exchange. All members are subject to approval or reconfirmation at the Company's ordinary general meeting of shareholders, and at the Board of Directors Meeting and the Audit & Supervisory Board Members Meeting to be held on June 25, 2015.

<b>Position</b>	<b>Responsibility</b>	<b>Name</b>	<b>Date of birth</b>	<b>Brief personal records</b>	
Chairman of the Board of Directors		Shusaku Nagae	January 30, 1950	Apr. 1972	Joined Matsushita Electric Works;
				Dec. 2004	Managing Executive Officer, Matsushita Electric Works;
				June 2007	Managing Director, Matsushita Electric Works;
				June 2010	President, Panasonic Electric Works Co., Ltd. (former Matsushita Electric Works);
				Apr. 2011	Senior Managing Executive Officer of Panasonic /
					In charge of Lighting Company and Panasonic Ecology Systems Co., Ltd.;
				Jan. 2012	In charge of Solution Business / President, Eco Solutions Company;
				June 2012	Executive Vice President of Panasonic / In charge of Corporate Division for Promoting Energy Solution Business;
				June 2013	Chairman of the Board of Directors (incumbent).
				Vice Chairman of the Board of Directors	
Oct. 1981	General Manager, Washing Machine Business Unit;				
Feb. 1986	Director of Panasonic;				
June 1990	Managing Director of Panasonic;				
June 1992	Senior Managing Director of Panasonic;				
Aug. 1993	Division Director, Corporate Industrial Marketing & Sales Division;				
July 1995	In charge of Overseas Operations;				
June 1996	Executive Vice President of Panasonic;				
June 2000	Vice Chairman of the Board of Directors (incumbent).				
President and Director		Kazuhiro Tsuga	November 14, 1956		
				June 2001	Director, Multimedia Development Center;
				June 2004	Executive Officer of Panasonic / In charge of Digital Network & Software Technology;
				Apr. 2008	Managing Executive Officer of Panasonic / President, Panasonic Automotive Systems Company;
				Apr. 2011	Senior Managing Executive Officer of Panasonic / President, AVC Networks Company;

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<b>Position</b>	<b>Responsibility</b>	<b>Name</b>	<b>Date of birth</b>		<b>Brief personal records</b>
				June 2011	Senior Managing Director of Panasonic;
				June 2012	President of Panasonic (incumbent).
Executive Vice President and Director	In charge of Strategic Regions	Yoshihiko Yamada*	May 11, 1951	Apr. 1974	Joined Panasonic;
				Apr. 2003	Vice President, Panasonic AVC Networks Company / Director, System Solutions Business Group;
				June 2004	Executive Officer of Panasonic / Director, Corporate Management Division for North America / Chairman, Matsushita Electric Corporation of America;
				Apr. 2007	Managing Executive Officer of Panasonic;
				Apr. 2010	In charge of Industrial Sales;
				June 2010	Managing Director of Panasonic;
				Apr. 2011	Senior Managing Director of Panasonic;
				Jan. 2012	In charge of Industrial Devices Business;
				Apr. 2013	President, Automotive & Industrial Systems Company;
				Apr. 2014	Executive Vice President of Panasonic (incumbent) / In charge of Strategic Regions (incumbent).
Executive Vice President and Director	In charge of Japan Region, Customer Satisfaction, and Design	Kazunori Takami*	June 12, 1954	Apr. 1978	Joined Panasonic;
				June 2002	Director, Matsushita Refrigeration Company;
				Apr. 2005	In charge of Corporate Marketing Division for National Brand Home Appliances and Corporate Marketing Division for National Brand Wellness Products / Director, Corporate Marketing Division for National Brand Home Appliances;
				Apr. 2006	Executive Officer of Panasonic;
				Apr. 2008	Managing Executive Officer of Panasonic;
				Apr. 2009	President, Home Appliances Company (currently Appliances Company) / In charge of Lighting Company;
				June 2009	Managing Director of Panasonic;
				Apr. 2012	Senior Managing Director of Panasonic;
				Apr. 2015	Executive Vice President and Director; (incumbent);
					In charge of Japan Region, Customer Satisfaction, and Design (incumbent).
Senior Managing Director	In charge of Accounting and Finance	Hideaki Kawai*	September 1, 1954	Apr. 1977	Joined Panasonic;
				July 2004	General Manager, Corporate Finance & IR Group;
				Apr. 2008	Executive Officer of Panasonic;

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<b>Position</b>	<b>Responsibility</b>	<b>Name</b>	<b>Date of birth</b>	<b>Brief personal records</b>	
				Apr. 2011	Managing Executive Officer of Panasonic / General Manager, Corporate Planning Group;
				June 2012	Managing Director of Panasonic / In charge of Accounting and Finance (incumbent);
				Apr. 2014	Senior Managing Director of Panasonic (incumbent).
Senior Managing Director	In charge of Technology, Intellectual Property, Manufacturing, and Procurement	Yoshiyuki Miyabe*	December 5, 1957	Apr. 1983	Joined Panasonic;
				Jan. 2003	Manager, R&D Planning Office;
				Apr. 2008	Executive Officer of Panasonic / In charge of Digital Network & Software Technology;
				Apr. 2011	Managing Executive Officer of Panasonic / In charge of Technology;
				June 2011	Managing Director of Panasonic;
				Oct. 2012	In charge of Intellectual Property;
				Apr. 2013	President, AVC Networks Company;
				Apr. 2014	Senior Managing Director of Panasonic (incumbent);
				Apr. 2015	In charge of Technology, Intellectual Property, Manufacturing, and Procurement (incumbent).
Senior Managing Director	President, Automotive & Industrial Systems Company	Yoshio Ito*	March 18, 1953	Apr. 1973	Joined Panasonic;
				Apr. 2006	Vice President, Panasonic AVC Networks Company / Director, System Business Group;
				Apr. 2009	Executive Officer of Panasonic / President, Lighting Company;
	In charge of Industrial Business			Jan. 2013	President, Industrial Devices Company / President, Energy Company;
				Apr. 2013	Managing Executive Officer of Panasonic;
				Apr. 2014	Senior Managing Executive Officer of Panasonic / President, Automotive & Industrial Systems Company (incumbent);
				June 2014	Senior Managing Director of Panasonic (incumbent);
				Apr. 2015	In charge of Industrial Business (incumbent).
Senior Managing Director	President, Eco Solutions Company	Tamio Yoshioka*	March 25, 1955	Apr. 1977	Joined Matsushita Electric Works;
				Apr. 2006	Executive Officer, Matsushita Electric Works;
				June 2011	Director, Panasonic Electric Works Co., Ltd. (former Matsushita Electric Works);
				Apr. 2013	Senior Managing Officer, Eco Solutions Company;
				June 2013	Director of Panasonic / President, Eco Solutions Company (incumbent);

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<b>Position</b>	<b>Responsibility</b>	<b>Name</b>	<b>Date of birth</b>		<b>Brief personal records</b>
				Apr. 2014	Senior Managing Director of Panasonic (incumbent).
Managing Director	Representative in Tokyo	Takashi Toyama*	September 28, 1955	Apr. 1978	Joined Panasonic;
	Director, Government and External Relations Division			Apr. 2006	President, Panasonic System Solutions Company / Director, Corporate Construction Business Promotion Division;
				Apr. 2007	Executive Officer of Panasonic;
				Jan. 2010	President, System Networks Company / President, Panasonic System Networks Co., Ltd.;
				June 2010	Director of Panasonic;
				Apr. 2011	Managing Director of Panasonic (incumbent) / President, Systems & Communications Company;
				June 2012	In charge of Planning and Information Systems;
				Oct. 2013	Director, Government and External Relations Division (incumbent);
				Apr. 2014	Representative in Tokyo (incumbent).
Managing Director	In charge of Human Resources, General Affairs, Social Relations, Legal Affairs, Fair Business & Compliance, Corporate Governance, Risk Management, Facility Management, and Corporate Sports Promotion	Jun Ishii*	March 24, 1956	Apr. 1979	Joined Panasonic;
	Director, Risk & Governance Management Division			June 2003	General Manager, Corporate Planning Group;
				Apr. 2007	Executive Officer of Panasonic;
				Apr. 2012	Managing Executive Officer of Panasonic;
				Apr. 2013	Director, Government and External Relations Division;
				Oct. 2013	In charge of Human Resources (incumbent);
				Apr. 2014	In charge of Legal Affairs (incumbent) / In charge of Risk Management, Information Security and Business Ethics / In charge of Information Systems;
				June 2014	Managing Director of Panasonic (incumbent);
				Apr. 2015	In charge of General Affairs, Social Relations, Fair Business & Compliance, Corporate Governance, Risk Management, Facility Management, and Corporate Sports Promotion (incumbent) Director, Risk & Governance Management Division (incumbent).



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<b>Position</b>	<b>Responsibility</b>	<b>Name</b>	<b>Date of birth</b>	<b>Brief personal records</b>	
Managing Director  (subject to approval)	President, AVC Networks Company	Yasuji Enokido* **		Apr. 1983 Apr. 2013	Joined Panasonic; Executive Officer of the Company /
	In charge of Visual & Imaging Business and Solutions Business			June 2013 Apr. 2015 June 2015	Senior Vice President, AVC Networks Company In charge of Imaging Business Division, Media Business Division, Visual Systems Business Division, and Panasonic Plasma Display Co., Ltd.; Senior Vice President, AVC Networks Company In charge of System Solutions Business and Panasonic Plasma Display Co., Ltd.; President, AVC Networks Company (incumbent) / In charge of Visual & Imaging Business and Solutions Business (incumbent); Managing Director of the Company
Managing Director	In charge of Planning	Mototsugu Sato*	October 17, 1956	Apr. 1979 Apr. 2008 Apr. 2011 Oct. 2013 June 2014 Apr. 2015	Joined Matsushita Electric Works, Ltd.; Executive Officer, Matsushita Electric Works ; Senior Executive Officer, Panasonic Electric Works Co., Ltd. (former Matsushita Electric Works); Executive Officer of the Company / In charge of Planning (incumbent); Director of the Company; Managing Director of the Company (incumbent).
Managing Director  (subject to approval)	President, Appliances Company	Tetsuro Homma* **		Apr. 1985 Oct. 2013	Joined Panasonic; Executive Officer of the Company/
	In charge of Consumer Business				Senior Vice President, Appliances Company In charge of Cold Chain Business/ Director, Refrigerator Business
				Apr. 2014 Apr. 2015 June 2015	Division; Senior Vice President, Appliances Company/ In charge of Cold Chain and Home Appliances Business/ Director, Refrigerator Business Division; President, Appliances Company (incumbent) / In charge of Consumer Business (incumbent); Managing Director of the Company
					(subject to approval).

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<b>Position</b>	<b>Responsibility</b>	<b>Name</b>	<b>Date of birth</b>		<b>Brief personal records</b>
Director		Ikuo Uno	January 4, 1935	Apr. 1997 Apr. 2005 June 2005 Apr. 2011  July 2011	President, Nippon Life Insurance Company; Chairman, Nippon Life Insurance Company; Director of Panasonic (incumbent); Director and Executive Advisor to the Board, Nippon Life Insurance Company; Executive Advisor to the Board, Nippon Life Insurance Company (incumbent).
Director		Masayuki Oku	December 2, 1944	June 2005  June 2008	President, Sumitomo Mitsui Banking Corporation / Chairman, Board of Directors of Sumitomo Mitsui Financial Group, Inc. (incumbent); Director of Panasonic (incumbent).
Director		Hiroko Ota	February 2, 1954	Sep. 2006 Aug. 2008  June 2013	The minister of Japan's Economic and Fiscal Policy; Professor of National Graduate Institute for Policy Studies (incumbent); Director of Panasonic (incumbent).
Senior Audit & Supervisory Board Member		Seiichiro Sano	November 20, 1952	Apr. 1977 Apr. 2005 Apr. 2007 June 2007 Apr. 2011 Jan. 2012 June 2012	Joined SANYO Electric Co., Ltd. (SANYO); Officer, SANYO; President, SANYO; Executive Director & President, SANYO; Senior Managing Executive Officer of Panasonic; In charge of Special Task; Senior Audit & Supervisory Board Member of Panasonic (incumbent).
Senior Audit & Supervisory Board Member  (subject to approval)		Hirofumi Yasuhara**		Apr. 1979 June 2008  Apr. 2009 Apr. 2012 June 2012  June 2014	Joined Panasonic Director and Executive Officer of PanaHome Corporation/In charge of Management Control; Managing Executive Officer of PanaHome Corporation; Senior Managing Executive Officer of PanaHome Corporation; Senior Managing Executive Officer and Representative Director of PanaHome Corporation/In charge of Corporate Planning, Control Group and Overseas Business Promotion; Senior Audit & Supervisory Officer, Automotive & Industrial Systems Company;

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<b>Position</b>	<b>Responsibility</b>	<b>Name</b>	<b>Date of birth</b>		<b>Brief personal records</b>
				June 2015	Senior Audit & Supervisory Board Member of the Company (subject to approval).
Audit & Supervisory Board Member		Yoshio Sato	August 25, 1949	July 2007	President and Director, Representative Executive Officer (Representative Director) of Sumitomo Life Insurance Company;
				July 2011	President and Representative Director, Chief Executive Officer of Sumitomo Life Insurance Company;
				Apr. 2014	Chairman and Representative Director of Sumitomo Life Insurance Company (incumbent);
				June 2014	Audit & Supervisory Board Member of Panasonic (incumbent).
Audit & Supervisory Board Member		Ikuro Hata	August 6, 1931	Apr. 1957	Appointed to the Bench;
				Apr. 1992	President of the Osaka District Court;
				Sep. 1995	Registered as Attorney at law (member of Osaka Bar Association) (incumbent);
				June 1998	Vice President of the Japan Federation of Conciliation Associations;
				July 2001	Member of the Supreme Court's Building-Related Litigation Commission;
				June 2004	Audit & Supervisory Board Member of Panasonic (incumbent).
Audit & Supervisory Board Member		Toshio Kinoshita	April 12, 1949	July 1983	Registered as Certified Public Accountant (Japan) (incumbent);
				June 1994	Senior Partner of Chuo Audit Corporation (now MISUZU Audit Corporation);
				July 1998	Managing Partner for Japanese Business Network of PricewaterhouseCoopers LLP National Office;
				July 2007	Chief Executive of The Japanese Institute of Certified Public Accountants;
				July 2013	Council Member of The Japanese Institute of Certified Public Accountants (incumbent);
				June 2014	Audit & Supervisory Board Member of Panasonic (incumbent).

One asterisk (\*) denotes Directors who concurrently serve as Executive Officers, pursuant to the Executive Officer System which was introduced to facilitate the development of optimum corporate strategies that integrate Panasonic's comprehensive strengths.

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Two asterisks (\*\*) denotes newly appointed Directors and Audit & Supervisory Board Members who will be submitted for and subject to approval at the Company's ordinary general meeting of shareholders, and at the Board of Directors Meeting and the Audit & Supervisory Board Members Meeting to be held on June 25, 2015.

Ikuo Uno, Masayuki Oku and Hiroko Ota are outside directors as stipulated in the Companies Act.

Yoshio Sato, Ikuo Hata and Toshio Kinoshita are outside audit & supervisory board members as stipulated in the Companies Act.

All three (3) outside directors and three (3) outside audit & supervisory board members were notified to the Japanese stock exchanges as independent directors/ audit & supervisory board members pursuant to the regulations of the Japanese stock exchanges.

There are no family relationships among any Directors or Audit & Supervisory Board Members.

## **Compensation**

In order to align compensation for Directors according to their respective contribution to the management of Panasonic, the amounts of remuneration and bonuses for Directors are linked to individual performance and based on the management control indices such as free cash flow and CCM. By implementing this performance evaluation criteria based on shareholder interests, Panasonic intends to promote continuous growth and enhance profitability on a long-term basis.

(Note) CCM (Capital Cost Management) is a management control index developed by Panasonic to evaluate return on capital.

The aggregate amounts of remunerations, including compensation such as bonuses, and other financial benefits given in consideration of performance of duties, or collectively, the Remunerations, paid by Panasonic during the year ended March 31, 2014 to 16 Directors (other than Outside Directors) and 2 Audit & Supervisory Board Members (other than Outside Audit & Supervisory Board Members) for services in all capacities were 613 million yen and 67 million yen, respectively. The amounts of the Remunerations for 3 Outside Directors and 3 Outside Audit & Supervisory Board Members were 30 million yen and 34 million yen, respectively, during the year ended March 31, 2014.

## **Share Ownership**

As of June 26, 2014, the total number of shares owned by the Directors and Audit & Supervisory Board Members of Panasonic was 13,175,923 shares, constituting 0.57% of all issued and outstanding shares of Panasonic's common stock, excluding its treasury shares.

## **Stock options**

Panasonic has adopted, based on the approval at the ordinary meeting of shareholders held on June 26, 2014, stock-type compensation stock options. Specifically, Panasonic issued, upon a resolution of its Board of Directors on July 31, 2014, stock acquisition rights as stock-type compensation stock options to Directors (excluding Outside Directors) of Panasonic and Executive Officers and certain other officers who are responsible for business operations over the Panasonic group.

## **Reason for Allotment of Stock Acquisition Rights as Stock-Type Compensation Stock Options**

The purpose of allotment of stock acquisition rights as stock-type compensation stock options is to provide an incentive for allottees to further contribute to the improvement of long-term operating results and higher corporate value through sharing the benefits and risks of share price fluctuations with Panasonic's shareholders.

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Terms and Conditions of Stock Acquisition Rights

(1) Name of stock acquisition rights:  
 Stock Acquisition Rights of Panasonic Corporation Issued in August of Fiscal Year 2015 (the year ending March 31, 2015)

(2) Aggregate number of stock acquisition rights: 2,088

(3) Class and number of shares to be acquired upon exercise of stock acquisition rights:  
 The class of shares to be acquired upon exercise of the stock acquisition rights shall be common stock of Panasonic, and the number of shares to be acquired upon exercise of each stock acquisition right, or the Number of Shares Acquired, shall be 100 shares; provided, however, that in the case that Panasonic conducts a share split (including an allotment without consideration (*musho-wariate*) of shares of common stock of Panasonic; the same shall apply to all references to the share split herein) or share consolidation on and after the date on which the stock acquisition rights shall be allotted as set forth in (12) below, or the Allotment Date, the Number of Shares Acquired shall be adjusted in accordance with the following formula, rounding down any fraction of less than one (1) share resulting from such adjustment.

$$\begin{array}{l} \text{Number of Shares} \\ \text{Acquired after} \end{array} = \begin{array}{l} \text{Number of Shares} \\ \text{Acquired before} \\ \text{adjustment} \end{array} \times \begin{array}{l} \text{Ratio of share split or} \\ \text{share consolidation} \end{array}$$

adjustment

The Number of Shares Acquired after adjustment shall become effective, in the case of a share split, on and after the day immediately following the record date of the relevant share split (if the record date is not set forth, on and after its effective date) or, in the case of a share consolidation, on and after its effective date; provided, however, that, in the event that a share split is conducted on the condition that a proposal to increase the capital or reserves by reducing the amount of surplus is approved at a general meeting of shareholders and that the record date for such share split is prior to the date of closing of such general meeting of shareholders, the Number of Shares Acquired after adjustment shall be applicable retroactively from the day immediately following the relevant record date, on and after the day immediately following the date of closing of the relevant general meeting of shareholders.

In addition to the above, in any event that makes it necessary to adjust the Number of Shares Acquired, including a merger and company split, on and after the Allotment Date, Panasonic may make appropriate adjustment to the Number of Shares Acquired within a reasonable range.

(4) Value of assets to be contributed upon exercise of each stock acquisition right:  
 The value of assets to be contributed upon exercise of each stock acquisition right shall be one (1) yen per share to be acquired upon exercise of each stock acquisition right, multiplied by the Number of Shares Acquired.

(5) Exercise period of stock acquisition rights:  
 From August 23, 2014 to August 22, 2044

(6) Matters concerning capital and capital reserve to be increased due to issuance of shares upon exercise of stock acquisition rights:

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The amount of capital to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be a half of the Maximum Amount of Capital Increase, Etc. which is calculated in accordance

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with Article 17, Paragraph 1 of the Ordinance on Company Accounting, and any fraction less than one (1) yen arising therefrom shall be rounded up to the nearest one (1) yen.

- (i) The amount of capital reserve to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be the amount determined by deducting the amount of capital to be increased provided for in (i) above from the Maximum Amount of Capital Increase, Etc. set forth in (i) above.

(7) Restrictions on acquisition of stock acquisition rights by transfer:

The stock acquisition rights cannot be acquired through transfer, unless such acquisition is expressly approved by a resolution of the Board of Directors.

(8) Provisions concerning acquisition of stock acquisition rights:

If any of the proposals set forth in (i), (ii), (iii), (iv) and (v) below is approved at a general meeting of shareholders of Panasonic (or, if a resolution of a general meeting of shareholders is not required, is approved by a resolution of the Board of Directors of Panasonic), Panasonic may acquire the stock acquisition rights without consideration on the date to be separately determined by the Board of Directors:

- (i) Proposal for approval of a merger agreement under which Panasonic shall become a dissolving company;
- (ii) Proposal for approval of split agreement or split plan under which Panasonic shall be split;
- (iii) Proposal for approval of a share exchange agreement or share transfer plan under which Panasonic shall become a wholly-owned subsidiary;
- (iv) Proposal for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of any shares issued or to be issued by Panasonic shall require the approval of Panasonic; and
- (v) Proposal for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of a class of shares to be acquired upon exercise of the stock acquisition rights shall require the approval of Panasonic or that Panasonic may acquire all of such class of shares upon a resolution of a general meeting of shareholders.

(9) Handling of fractions less than one (1) share resulting from exercise of stock acquisition rights:

In the case where the number of shares to be acquired by the holders of the stock acquisition rights registered in the register of stock acquisition rights, or the Holders, who have exercised the stock acquisition rights includes any fraction less than one (1) share, such fraction shall be disregarded.

(10) Conditions for exercise of stock acquisition rights:

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- (i) During the period when the stock acquisition rights may be exercised, the Holder may exercise the stock acquisition rights on and after the day immediately following the date on which such Holder loses the status of Director, Executive Officer, Audit & Supervisory Board Member or any status equivalent thereto, of Panasonic, or the Status Losing Date.
  
- (ii) Notwithstanding (i) above, the Holder may exercise the stock acquisition rights within the respective periods prescribed below if either (a) or (b) below occurs (provided that the case mentioned in (b) below excludes where the allotment of stock acquisition rights by any of the relevant companies listed in a through e of Article 236, Paragraph 1, Item 8 of the Companies Act to the Holder is stipulated in a merger agreement, a share exchange agreement, or a share transfer plan):

- (a) If the Status Losing Date does not occur on or before August 22, 2043:

From August 23, 2043 to August 22, 2044



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- (b) If proposal for approval of a merger agreement under which Panasonic shall become a dissolving company or proposal for approval of a share exchange agreement or share transfer plan under which Panasonic shall become a wholly-owned subsidiary is approved at a general meeting of shareholders (or, if a resolution of a general meeting of shareholders is not required, is approved by a resolution of the Board of Directors):

During a 15 day-period commencing from the day immediately following the date (inclusive) when the proposal is approved

- (iii) (i) and (ii) (a) above shall not be applicable to those who have succeeded to the stock acquisition rights by inheritance.

- (iv) If the Holder waives the stock acquisition rights, the relevant stock acquisition rights may not be exercised thereafter.

- (11) Paid-in amount for the stock acquisition rights:  
105,400 yen per stock acquisition right (1,054 yen per share)

The remuneration, the amount of which shall be equal to the price to be paid in exchange for stock acquisition rights as stated above, were paid by Panasonic to the person to whom the stock acquisition rights were allotted, and the obligation of such person to pay such price were offset by the rights of such person who receives the remuneration.

- (12) Date on which stock acquisition rights were allotted:

August 22, 2014

- (13) Date on which payment was made in exchange for stock acquisition rights:

August 22, 2014

- (14) Persons to whom the stock acquisition rights were allotted, number of such persons, and number of stock acquisition rights allotted:

<b>Persons to whom the stock acquisition rights were allotted</b>	<b>Number of Persons</b>	<b>Number of Stock Acquisition Rights Allotted</b>
Directors (excluding Outside Directors) of Panasonic	13	1,674
Executive Officers and certain other officers who are responsible for business operations over the Panasonic group	14	414

**Table of Contents****Major Shareholders****Panasonic**

As of March 31, 2015, the following shareholders of record owned more than 5% of Panasonic's outstanding common stock. The information in the following table is based on Panasonic's register of shareholders. Panasonic is not required by Japanese law to monitor or disclose beneficial ownership of common stock.

<b>Name</b>	<b>Shares Ownership (in thousands of shares)</b>	<b>Percentage of Outstanding Panasonic Shares Owned as of March 31, 2015</b>
Japan Trustee Services Bank, Ltd. (trust account)	140,734	6.08%
The Master Trust Bank of Japan, Ltd. (trust account)	118,120	5.11%

Note 1: Holdings of less than 1,000 shares have been omitted.

Note 2: The majority of the shares held by Japan Trustee Services Bank, Ltd. (trust account) are shares which were originally entrusted to Sumitomo Mitsui Trust Holdings, Inc. and other institutions, in relation to trust operations, and which were then re-entrusted to Japan Trustee Services Bank, Ltd.

Note 3: Percentage of outstanding Panasonic shares is calculated excluding Panasonic's own shares (141,789,018).

To Panasonic's knowledge, no other shareholder beneficially owned more than 5% of Panasonic's outstanding shares as of the date of this prospectus. Panasonic's major shareholders do not have different voting rights from any other holder of Panasonic shares. To Panasonic's knowledge, it is not owned or controlled by another corporation, any government or any natural or legal person, either severally or jointly. Panasonic knows of no arrangements the operation of which may result in a change of control of Panasonic.

**Panasonic IS**

As of March 31, 2015, based on Panasonic IS's register of shareholders, the following shareholders of record owned more than 5% of Panasonic IS's outstanding common stock. Panasonic IS is not required by Japanese law to monitor or disclose beneficial ownership of common stock.

<b>Name</b>	<b>Shares Ownership (in thousands of shares)</b>	<b>Percentage of Outstanding Panasonic IS Shares Owned as of March 31, 2015</b>
Panasonic Corporation	6,787	63.69%
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	606	5.69

Note 1: Holdings of less than 1,000 shares have been omitted.

Note 2: Percentage of outstanding Panasonic IS shares is calculated excluding Panasonic IS's own shares (372).

Note 3: On January 1, 2012, Panasonic Electric Works Co., Ltd., or PEW, was merged into Panasonic Corporation, making Panasonic Corporation Panasonic IS's largest shareholder and a direct shareholder. Immediately prior to the merger of PEW into Panasonic Corporation, PEW held the 6,787 thousand shares of Panasonic IS currently held by Panasonic Corporation.

Panasonic IS's major shareholders do not have different voting rights from any other holder of Panasonic IS shares. Panasonic IS is controlled by Panasonic, Panasonic IS's parent company, which, as of March 31, 2015, owned 63.69% of Panasonic IS's outstanding common stock. Panasonic IS knows of no arrangements the operation of which may result in a change of control of Panasonic IS.

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**Description of Panasonic's Common Stock**

The following information relates to the shares of Panasonic's common stock, including summaries of certain provisions of the Panasonic's Articles of Incorporation, Share Handling Regulations and of the Companies Act relating to joint stock corporations (known in Japanese as *kabushiki kaisha*).

**General**

Except as otherwise stated, set forth below is information relating to Panasonic's Common Stock, including brief summaries of the relevant provisions of Panasonic's Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Companies Act and related regulations.

Effective on January 5, 2009, a new central book-entry transfer system for listed shares of Japanese companies was established pursuant to the Act Concerning Book-Entry Transfer of Corporate Bonds, Shares etc. and regulations thereunder, or, collectively, the Book-entry Transfer Act, and this system is applied to the shares of Common Stock of Panasonic. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholder has an account at Japan Securities Depository Center, Inc., or JASDEC, the only institution that is designated by the relevant authorities as a clearing house under the Book-entry Transfer Act. Account management institutions are financial instruments business operators (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-entry Transfer Act. Transfer of the shares of Common Stock of Panasonic is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded at the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Companies Act and the Book-entry Transfer Act, in order to assert shareholders' rights to which shareholders as of record dates are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends) against Panasonic, a shareholder must have its name and address registered in Panasonic's register of shareholders. Under the central book-entry transfer system, shareholders shall notify the relevant account management institutions of certain information prescribed under the Book-entry Transfer Act and Panasonic's Share Handling Regulations, including their names and addresses, and the registration on the register of shareholders is made upon receipt by Panasonic of necessary information from JASDEC (as described in Record date). On the other hand, in order to assert, directly against Panasonic, shareholders' rights to which shareholders are entitled regardless of record dates such as minority shareholders' rights, including the right to propose a matter to be considered at a general meeting of shareholders, excluding shareholders' rights to request Panasonic to purchase or sell shares constituting less than a full unit (as described in Unit share system), JASDEC shall, upon the shareholder's request, issue a notice of certain information including the name and address of such shareholder to Panasonic. Thereafter, such shareholder is required to present Panasonic with a receipt of the request of the notice in accordance with Panasonic's Share Handling Regulations. Under the Book-entry Transfer Act, the shareholder shall exercise such shareholders' right within four weeks after the notice above has been given.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to Panasonic through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from Panasonic to non-resident shareholders are delivered to such standing proxies or mailing addresses.

The registered holder of deposited shares underlying the American Depositary Shares (ADSs) is the Depository for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights against Panasonic.

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*Authorized capital*

Article 6 of the Articles of Incorporation of Panasonic provides that the total number of shares authorized to be issued by Panasonic shall be four billion nine hundred and fifty million (4,950,000,000).

As of December 31, 2014, 2,453,053,497 shares of Common Stock were issued. All shares of Common Stock of Panasonic have no par value. All issued shares of Panasonic are fully-paid and non-assessable.

*Distribution of Surplus*

*Distribution of Surplus General*

Under the Companies Act, dividends shall be paid by way of distribution of Surplus ( Surplus is defined in Restriction on Distributions of Surplus ) in cash or in kind.

Panasonic may make distributions of Surplus to the shareholders any number of times per business year, subject to certain limitations described in Restriction on Distributions of Surplus. Distributions of Surplus need, in principle, to be declared by a resolution of a general meeting of shareholders, but Panasonic may also authorize distributions of Surplus by a resolution of the Board of Directors as long as its non-consolidated annual financial statements for the last business year fairly present its assets and profit or loss, as required by ordinances of the Ministry of Justice.

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of Common Stock of Panasonic held by respective shareholders. A resolution of a general meeting of shareholders or the Board of Directors, as the case may be, authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, Panasonic may, pursuant to a resolution of a general meeting of shareholders or the Board of Directors, as the case may be, grant a right to the shareholders to require Panasonic to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant Distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see Voting rights with respect to a special resolution ).

Under Panasonic s Articles of Incorporation, year-end dividends and interim dividends may be distributed to shareholders appearing in Panasonic s register of shareholders as of March 31 and September 30 each year respectively, in proportion to the number of shares of the Common Stock of Panasonic held by respective shareholders following approval by the general meeting of shareholders or the Board of Directors. Panasonic is not obliged to pay any dividends in cash which have not been received within three years from the commencement of payment thereof. In Japan, the ex-dividend date and the record date for dividends precede the date when the amount of the dividends to be paid is determined by Panasonic. The shares of common stock generally go ex-dividend on the second business day prior to the record date for dividends.

*Distribution of Surplus Restriction on Distributions of Surplus*

In making a distribution of Surplus, Panasonic must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside to its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D \quad (E + F + G)$$

In the above formula:

A = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year

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B = (if Panasonic has disposed of its treasury stock after the end of the last business year) the amount of the consideration for such treasury stock received by Panasonic less the book value thereof

C = (if Panasonic has reduced its stated capital after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)

D = (if Panasonic has reduced its additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)

E = (if Panasonic has cancelled its treasury stock after the end of the last business year) the book value of such treasury stock

F = (if Panasonic has distributed Surplus to its shareholders after the end of the last business year) the total book value of the Surplus so distributed

G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if Panasonic has reduced Surplus and thereby increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if Panasonic has distributed Surplus to the shareholders after the end of the last business year) the amount set aside from such Surplus to additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus to be distributed by Panasonic may not exceed a prescribed distributable amount, or the Distributable Amount, as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the followings:

(a) the book value of its treasury stock;

(b) the amount of consideration for any of treasury stock disposed of by Panasonic after the end of the last business year; and

(c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

Panasonic, for the fiscal year ended March 31, 2014, did not elect to become a company with respect to which consolidated balance sheets should be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*) as described below. If a company has become at its option a company with respect to which consolidated balance sheets should also be considered in the calculation of the Distributable Amount, a company shall, in calculating the Distributable Amount, further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of stockholders' equity appearing on the non-consolidated balance sheet as of the end of the last business year and certain other amounts set forth by ordinances of the Ministry of Justice over (y) the total amount of stockholders' equity and certain other amounts set forth by ordinances of the Ministry of Justice appearing on the consolidated balance sheet as of the end of the last business year.

If Panasonic has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or, if so required by the Companies Act, by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by Panasonic, during the period in respect of which such interim financial statements have been prepared. Panasonic may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the

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last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements so prepared by Panasonic must be audited by the Audit & Supervisory Board Members and the Accounting Auditor, as required by ordinances of the Ministry of Justice.

### ***Stock splits***

Panasonic may at any time split shares in issue into a greater number of shares by resolution of the Board of Directors, and may in principle amend its Articles of Incorporation to increase the number of authorized shares to be issued in proportion to the relevant stock split pursuant to a resolution of the Board of Directors rather than a special shareholders resolution (as defined in "Voting rights") as is otherwise required for amending the Articles of Incorporation.

When a stock split is to be made, Panasonic must give public notice of the stock split, specifying the record date therefor, at least two weeks prior to such record date. Under the central book-entry transfer system operated by JASDEC, Panasonic must also give notice to JASDEC regarding a stock split at least two weeks prior to the relevant effective date. On the effective date of the stock split, the number of shares recorded in all accounts held by Panasonic's shareholders at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

### ***Consolidation of shares***

Panasonic may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in "Voting rights"). When a consolidation of shares is to be made, Panasonic must give public notice or notice to each shareholder at least two weeks prior to the effective date of the consolidation of shares. Under the central book-entry transfer system operated by JASDEC, Panasonic must also give notice to JASDEC regarding a consolidation of shares at least two weeks prior to the effective date of the consolidation of shares. On the effective date of the consolidation of shares, the number of shares recorded in all accounts held by Panasonic's shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. Panasonic must disclose the reason for the consolidation of shares at the general meeting of shareholders.

### ***General meeting of shareholders***

The ordinary general meeting of shareholders of Panasonic for each fiscal year is normally held in June in each year. In addition, Panasonic may hold an extraordinary general meeting of shareholders whenever necessary by giving notice of convocation thereof at least two weeks prior to the date set for the meeting.

Notice of convocation of a shareholders' meeting setting forth the place, time, purpose thereof and certain matters set forth in the Companies Act and the ordinances of the Ministry of Justice, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Under the Companies Act, such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for exercising voting rights at the ordinary general meeting of shareholders is March 31 of each year.

Any shareholder or group of shareholders of Panasonic holding at least three percent of the total number of voting rights for a period of six months or more may require the convocation of a general meeting of shareholders for a particular purpose by showing such a purpose and reason for convocation to a Representative Director. Unless such shareholders' meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such shareholders' meeting.

Any shareholder or group of shareholders of Panasonic holding at least 300 voting rights or one percent of the total number of voting rights for a period of six months or more may propose a matter to be considered at a general meeting of shareholders by showing such matter to a Representative Director at least eight weeks prior to the date of such meeting.

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Under the Companies Act, any of minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if the articles of incorporation of a joint stock corporation so provide.

### ***Voting rights***

So long as Panasonic maintains the unit share system (see *Unit share system* below; currently 100 shares constitute one unit) a holder of shares constituting one or more full units is entitled to one voting right per unit of shares subject to the limitations on voting rights set forth in the following two sentences. Any corporate or certain other entity, one-quarter or more of whose total voting rights are directly or indirectly owned by Panasonic, may not exercise its voting rights with respect to shares of Common Stock of Panasonic that it owns. In addition, Panasonic may not exercise its voting rights with respect to its shares that it owns. If Panasonic eliminates from its Articles of Incorporation the provisions relating to the unit of shares, holders of Common Stock will have one voting right for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting. The Companies Act and Panasonic's Articles of Incorporation provide, however, that the quorum for the election of Directors and Audit & Supervisory Board Members shall not be less than one-third of the total number of voting rights of all the shareholders entitled to exercise their voting rights. Panasonic's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. Panasonic's shareholders also may cast their votes in writing, or exercise their voting rights by electronic means pursuant to the method determined by the Board of Directors.

The Companies Act and Panasonic's Articles of Incorporation provide that in order to amend the Articles of Incorporation and in certain other instances, including:

- (1) acquisition of its own shares from a specific party other than its subsidiaries;
- (2) consolidation of shares;
- (3) any offering of new shares at a specially favorable price (or any offering of stock acquisition rights to acquire shares of capital stock, or bonds with stock acquisition rights at specially favorable conditions) to any persons other than shareholders;
- (4) the removal of an Audit & Supervisory Board Member;
- (5) the exemption of liability of a Director, Audit & Supervisory Board Member or Accounting Auditor to a certain extent set forth in the Companies Act;
- (6) a reduction of stated capital with certain exceptions in which just a usual resolution of shareholders is required or a shareholders resolution is not required;
- (7) a distribution of in-kind dividends which meets certain qualifications;
- (8) dissolution, liquidation, merger, consolidation, or corporate split with certain exceptions in which a shareholders resolution is not required;
- (9) the transfer of the whole or a material part of the business;

- (10) the taking over of the whole of the business of any other corporation with certain exceptions in which a shareholders resolution is not required; or
- (11) share exchange or share transfer for the purpose of establishing 100% parent-subsidary relationships with certain exceptions in which a shareholders resolution is not required;
- the quorum shall be one-third of the total voting rights of all the shareholders and the approval by at least two-thirds of the voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting is required, such process, a special shareholders resolution.



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Pursuant to the terms of the Amended and Restated Deposit Agreement relating to American Depositing Receipts (ADRs) evidencing ADSs, each ADS representing one share of Common Stock of Panasonic, as soon as practicable after receipt of notice of any meeting of shareholders of Panasonic, the Depositary (currently JPMorgan Chase Bank, N.A.) will mail to the record holders of ADRs a notice which will contain the information in the notice of the meeting. The record holders of ADRs on a date specified by the Depositary will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the shares of Common Stock of Panasonic represented by their ADSs. The Depositary will endeavor, in so far as practicable, to vote the number of shares of Common Stock of Panasonic represented by such ADSs in accordance with such instructions. In the absence of such instructions, the Depositary has agreed to give a discretionary proxy to a person designated by Panasonic to vote in favor of any proposals or recommendations of Panasonic. However, such proxy may not be given (i) with respect to any matter which Panasonic informs the Depositary that Panasonic does not wish such proxy given, (ii) with respect to any matter to which there exists substantial opposition of the record holder of ADRs, or (iii) for any proposal that has, if approved, a materially adverse effect on the rights of shareholders of Panasonic.

***Issue of additional shares***

Holders of Panasonic's shares of Common Stock have no pre-emptive rights under the Companies Act. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under Voting rights above. In the case of an issuance or transfer of Panasonic's shares of Common Stock or stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative opinion from a person independent of our management is generally required pursuant to the regulations of the Japanese stock exchanges. Pursuant to the amendment of the Companies Act which was promulgated on June 27, 2014 and will be effective on May 1, 2015, in the case of an issuance or transfer of Panasonic's shares of Common Stock or stock acquisition rights by way of an allotment to a third party whereby the third party will hold more than 50% of the voting rights of all Panasonic's shareholders, Panasonic shall notify (including a public notice) its shareholders of the information regarding such third-party allotment no later than two weeks prior to the payment date for the issue or transfer of the shares. If shareholders who hold one-tenth or more of the voting rights of all shareholders give notices to Panasonic to the effect that they dissent from the third-party allotment within two weeks from the day of the notice from Panasonic, the approval by an ordinary resolution of a general meeting of shareholders is generally required no later than the day immediately preceding the payment date. The Board of Directors may determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date at least two weeks prior to which public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

Subject to certain conditions, Panasonic may issue stock acquisition rights or bonds with stock acquisition rights by a resolution of the Board of Directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon the exercise of stock acquisition rights, Panasonic will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it. Panasonic may determine by a resolution of the Board of Directors at the time of offerings that a transfer of the stock acquisition rights shall require the approval of Panasonic. Whether Panasonic will determine such a matter in future stock acquisition rights offerings will depend upon the circumstances at the time of such offerings.

***Liquidation rights***

In the event of a liquidation of Panasonic, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among shareholders in proportion to the respective numbers of shares of Common Stock held.

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### ***Record date***

As mentioned above (see *Distribution of Surplus Distribution of Surplus General*), March 31 is the record date for Panasonic's year-end dividends. So long as Panasonic maintains the unit share system, the shareholders who are registered as the holders of one or more units of shares in Panasonic's registers of shareholders at the end of each March 31 are entitled to exercise shareholders' rights at the ordinary general meeting of shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends. In addition, Panasonic may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks prior public notice. Under the Book-entry Transfer Act, JASDEC is required to give Panasonic a notice of the names and addresses of the shareholders, the number of shares held by them and other relevant information as of each such record date, and Panasonic's register of shareholders shall be updated accordingly.

The shares generally goes ex-dividends or ex-rights on Japanese stock exchanges on the second business day prior to a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

### ***Acquisition by Panasonic of its common stock***

Under the Companies Act and Panasonic's Articles of Incorporation, Panasonic may acquire its own shares of Common Stock (i) from a specific shareholder other than any of its subsidiaries (pursuant to a special shareholders resolution), (ii) from any of its subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which Panasonic's shares of Common Stock are listed or by way of tender offer (as long as its non-consolidated annual financial statements and certain documents for the last business year fairly present its asset and profit or loss status, as required by ordinances of the Ministry of Justice) (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to Panasonic that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

Shares acquired by Panasonic may be held for any period or may be cancelled by a resolution of the Board of Directors. Panasonic may also transfer such shares to any person, subject to a resolution of the Board of Directors and to other requirements similar to those applicable to the issuance of new shares, as described in *Issue of additional shares* above. Panasonic may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

### ***Unit share system***

The Articles of Incorporation of Panasonic provide that 100 shares constitute one unit of shares of Common Stock. Although the number of shares constituting one unit is included in the Articles of Incorporation, any amendment to the Articles of Incorporation reducing (but not increasing) the number of shares constituting one unit or eliminating the provisions for the unit of shares may be made by a resolution of the Board of Directors rather than by a special shareholders resolution, which is otherwise required for amending the Articles of Incorporation. The number of shares constituting one unit, however, cannot exceed 1,000 nor 0.5% of total number of issued shares.

Under the unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights.

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Under the central book-entry transfer system operated by JASDEC, shares constituting less than one unit are generally transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

A holder of shares constituting less than one unit may require Panasonic to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of Panasonic. In addition, the Articles of Incorporation of Panasonic provide that a holder of shares constituting less than one unit may request Panasonic to sell to such holder such amount of shares which will, when added together with the shares constituting less than one unit held by such holder, constitute one unit of stock, in accordance with the provisions of the Share Handling Regulations of Panasonic. As prescribed in the Share Handling Regulations, such requests shall be made through an account management institution and JASDEC pursuant to the rules set by JASDEC, without going through the notification procedure required for the exercise of shareholders' rights entitled regardless of record dates as described in General.

A holder who owns ADRs evidencing less than 100 ADSs will indirectly own less than one full unit of shares of Common Stock. Although, as discussed above, under the unit share system holders of less than one unit have the right to require Panasonic to purchase their shares or sell shares held by Panasonic to such holders, holders of ADRs evidencing ADSs that represent other than integral multiples of units are unable to withdraw the underlying shares of Common Stock representing less than one unit and, therefore, are unable, as a practical matter, to exercise the rights to require Panasonic to purchase such underlying shares or sell shares held by Panasonic to such holders. As a result, access to the Japanese markets by holders of ADRs through the withdrawal mechanism will not be available for dispositions of shares of Common Stock in lots less than one unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

### ***Sale by Panasonic of shares held by shareholders whose location is unknown***

Panasonic is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in Panasonic's register of shareholders or at the address otherwise notified to Panasonic continuously for five years or more.

In addition, Panasonic may sell or otherwise dispose of shares of Common Stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for five years or more at the shareholder's registered address in Panasonic's register of shareholders or at the address otherwise notified to Panasonic, and (ii) the shareholder fails to receive distribution of Surplus on the shares continuously for five years or more at the address registered in Panasonic's register of shareholders or at the address otherwise notified to Panasonic, Panasonic may sell or otherwise dispose of the shareholder's shares by a resolution of the Board of Directors and after giving at least three months' prior public and individual notice, and hold or deposit the proceeds of such sale or disposal of shares at the then market price of the shares for the shareholder, the location of which is unknown.

### **Reporting of substantial shareholdings, etc.**

The Financial Instruments and Exchange Act of Japan and regulations thereunder requires any person, regardless of his/her residence, who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares with voting rights of common stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan, to file with the Director-General of a competent Local Finance Bureau of Ministry of Finance within five business days from the date of becoming such holder a Substantial Shareholding Report.

A similar report must also be filed in respect to any subsequent change of 1% or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of share subscription

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warrants or stock acquisition rights are taken into account in determining both the number of shares with voting rights held by such holder and the issuer's total issued share capital. Any such report shall be filed with the Director General of the relevant Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors' Network (EDINET) system. Copies of such report must also be furnished to the issuer of such shares.

Except for the general limitations under Japanese anti-trust and anti-monopoly regulations on holding shares of common stock of a Japanese corporation which leads or may lead to a restraint of trade or a monopoly, except for the limitations under the Foreign Exchange Regulations as described in "Exchange Controls" below, and except for general limitations under the Companies Act or Panasonic's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is practically no limitation under Japanese laws and regulations applicable to Panasonic or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold the shares of Common Stock of Panasonic or exercise voting rights thereon.

There is no provision in Panasonic's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of Panasonic and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving Panasonic. However, the Board of Directors resolved to adopt the ESV Plan which provides certain rules which a Large-scale Purchaser who intends to acquire 20% or more of all voting rights of Panasonic must comply with. For details, please see "Initiatives to Maximize Shareholder Value" below.

*\* Initiatives to Maximize Shareholder Value*

*On April 28, 2005, the Board of Directors resolved to adopt a policy related to a Large-scale Purchase of the Panasonic's shares called the Enhancement of Shareholder Value (ESV) Plan. The ESV Plan has been approved at Board of Directors meetings every year since then. On April 28, 2015, the Board of Directors resolved to continue the ESV Plan.*

*With respect to a Large-scale Purchaser who intends to acquire 20% or more of all voting rights of Panasonic, this policy requires that (i) a Large-scale Purchaser provides sufficient information, such as its outline, purposes or conditions, the basis for determination of the purchase price and funds for purchase, and management policies and business plans which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase, to the Board of Directors before a Large-scale Purchase is to be conducted and (ii) after all required information is provided, the Board of Directors should be allowed a sufficient period of time (a sixty-day period or a ninety-day period) for consideration.*

*The Board of Directors intends to assess and examine any proposed Large-scale Purchase after the information on such purchase is provided, and subsequently to disclose the opinion of the Board of Directors and any other information needed to assist shareholders in making their decisions. The Board of Directors may negotiate with the Large-scale Purchaser regarding purchase conditions or suggest alternative plans to shareholders, if it is deemed necessary.*

*If a Large-scale Purchaser does not comply with the rules laid out in the ESV Plan, Panasonic's Board of Directors may take countermeasures against the Large-scale Purchaser to protect the interests of all shareholders. Countermeasures include the implementation of stock splits, issuance of stock acquisition rights (including allotment of share options without contribution) or any other measures that the Board of Directors is permitted to take under the Companies Act in Japan, other laws and Panasonic's Articles of Incorporation.*

*If a Large-scale Purchaser complies with the Large-scale Purchase rules, the Board of Directors does not intend to prevent the Large-scale Purchase at its own discretion, unless it is clear that such Large-scale Purchase will cause irreparable damage or loss to Panasonic.*

*The Board of Directors will make decisions relating to countermeasures by referring to advice from outside professionals, such as lawyers and financial advisers, and fully respect the opinions of outside directors and Audit & Supervisory Board Members.*

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*When invoking the aforementioned countermeasures, if Panasonic's Board of Directors decides that it is appropriate to confirm the will of shareholders from the perspective of the interest of all shareholders, a general meeting of shareholders will be held. If Panasonic's Board of Directors decides to hold a general meeting of shareholders, it will give notice to that effect as well as the reasons for such a meeting at that time.*

*The Board of Directors will adopt specific countermeasures which it deems appropriate at that time. If the Board of Directors elects to make a stock split for shareholders as of a certain record date, the maximum ratio of the stock split shall be five-for-one. If the Board of Directors elects to issue stock acquisition rights to shareholders, Panasonic will issue one stock acquisition right for every share held by shareholders on a specified record date. One share shall be issued on the exercise of each stock acquisition right.*

*If the Board of Directors elects to issue stock acquisition rights as a countermeasure, it may determine the exercise period and exercise conditions of the stock acquisition rights in consideration of the effectiveness thereof as a countermeasure, such as the condition that shareholders do not belong to a specific group of shareholders including a Large-scale Purchaser, as well as the conditions that allow Panasonic to acquire share options by swapping Panasonic stock with a party other than the Large-scale Purchaser. Panasonic recognizes that the aforementioned countermeasures may cause damage or loss, economic or otherwise, to a prospective Large-scale Purchaser who does not comply with the Large-scale Purchase Rules.*

*Panasonic does not anticipate that taking such countermeasures will cause shareholders, other than the Large-scale Purchaser, economic damage or loss of any rights. However, in the event that the Board of Directors determines to take a specific countermeasure, the Board of Directors will disclose such countermeasure in a timely and appropriate manner, pursuant to relevant laws and stock exchange regulations. The terms of office of all Directors are for one year, and they are elected at an annual general meeting of shareholders in June of each year. All of the three Outside Directors and three Outside Audit & Supervisory Board Members are notified to the Japanese stock exchanges as independent directors/audit & supervisory board members pursuant to the regulations of the Japanese stock exchanges and are unlikely to have any conflict of interests with our shareholders. Panasonic's Board of Directors intends to review the Large-scale Purchase Rules, as necessary, for reasons including amendments to applicable legislation. Any such review would be conducted strictly in the interests of all shareholders.*

### **Daily price fluctuation limits under Japanese stock exchange rules**

Stock prices on Japanese stock exchanges are determined on a real-time basis by the balance between bids and offers. These stock exchanges are order-driven markets without specialists or market makers to guide price formation. In order to prevent excessive volatility, these stock exchanges set daily upward and downward price range limitations for each listed stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit on these stock exchanges may not be able to effect a sale at such price on a particular trading day, or at all.

### **Exchange Controls**

The Foreign Exchange and Foreign Trade Act of Japan and its related cabinet orders and ministerial ordinances, or the Foreign Exchange Regulations, govern the acquisition and holding of shares of Common Stock of Panasonic by exchange non-residents and by foreign investors. The Foreign Exchange Regulations currently in effect may affect transactions between exchange non-residents to purchase or sell shares in certain circumstances, even if such transactions are being made outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

- (i) individuals who do not reside in Japan; and
- (ii) corporations whose principal offices are located outside Japan.

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Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- (i) individuals who are exchange non-residents;
- (ii) corporations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and
- (iii) corporations (1) of which 50% or more of their shares are held by individuals who are exchange non-residents and/or corporations (a) that are organized under the laws of foreign countries or (b) whose principal offices are located outside of Japan or (2) a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

In general, the acquisition of shares of a Japanese company (such as the shares of Common Stock of Panasonic) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of Common Stock of Panasonic) for consideration exceeding 100 million yen to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer or the payment or the receipt of payment for the transfer, whichever is later, unless the transfer was made through a bank or financial instruments business operator licensed or registered under Japanese law.

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of Common Stock of Panasonic) or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company on or before the 15th day of the month following the month in which such acquisition was made. However, in certain circumstances, such as where a business of a Japanese company falls under any business related to the national security of Japan or to maintenance of public safety, etc. which is listed in a schedule included in the Foreign Exchange Regulations, or where the foreign investor is in a country that is not listed in an exemption schedule included in the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with, and the proposed acquisition must be subject to an examination process by, the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition. In such circumstances, the foreign investor must wait until the examination process is completed, which ordinarily takes 30 days after the filing in principle although such waiting period may be shortened or extended to up to 5 months. Panasonic believes that certain businesses of Panasonic fall under businesses listed in the above-mentioned schedule in the Foreign Exchange Regulation, and thus, a foreign investor must file a prior notification of the acquisition with, and must be subject to an examination process by, the Minister of Finance and any other competent Ministers.

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from the sale in Japan of shares of Common Stock of Panasonic held by non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

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**Taxation**

*You are urged to consult your own tax advisor regarding the United States federal, state and local and the Japanese and other tax consequences of the Share Exchange and of owning and disposing of Panasonic's shares or ADSs in your particular circumstances.*

**Japanese Tax Consequences**

The following is a summary of the principal Japanese tax consequences (limited to national taxes) of the Share Exchange and the ownership of shares of Panasonic's common stock or ADSs to non-resident holders who hold shares of Panasonic IS's common stock and ultimately of Panasonic's common stock or ADSs. A non-resident holder means a holder of shares of Panasonic IS's or Panasonic's common stock or ADSs, as the case may be, who holds such shares or ADSs as portfolio investments, and who is a non-resident individual of Japan or a non-Japanese corporation without a permanent establishment in Japan.

The statements regarding Japanese tax laws set forth below are based on the laws in force and double taxation conventions applicable as of the date hereof which are subject to change, possibly on a retroactive basis. This summary is not exhaustive of all possible tax considerations which may apply to a particular non-resident holder and potential non-resident holders are advised to satisfy themselves as to the overall tax consequences of the Share Exchange and of the acquisition, ownership and disposition of Panasonic's shares or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are residents, and any tax treaty between Japan and their country of residence, by consulting their own tax advisors.

***Consequences of the Share Exchange***

Under the terms of the Share Exchange, shares of Panasonic IS's common stock will be exchanged solely for shares of Panasonic's common stock, and no cash or other property other than shares of Panasonic's common stock will be distributed to holders of shares of Panasonic IS's common stock, except that some holders of shares of Panasonic IS's common stock may receive cash (i) in lieu of fractional shares of Panasonic's common stock where such fractional shares arise due to the exchange ratio in the Share Exchange or (ii) as a result of their exercise of dissenters appraisal rights under the Companies Act.

On the basis of the foregoing, in the opinion of Panasonic's Japanese counsel, Nagashima Ohno & Tsunematsu, subject to certain limited exceptions set forth below, the Share Exchange is expected to be a tax-free transaction for Japanese tax purposes for holders of shares of Panasonic IS's common stock. As such, except as described in the following paragraphs, as long as non-resident holders of shares of Panasonic IS's common stock receive only shares of Panasonic's common stock in exchange for the Panasonic IS shares in the Share Exchange, such non-resident shareholders will not recognize any gains or losses for Japanese tax purposes at the time of the Share Exchange.

If holders of shares of Panasonic IS's common stock receive any cash in lieu of fractional shares of Panasonic's common stock, such cash is deemed to be sale proceeds for such fractional shares and, consequently, such shareholders will generally recognize capital gains or losses for Japanese tax purposes with respect to their Panasonic IS shares that would otherwise have been exchanged for such fractional shares of Panasonic's common stock. However, non-resident holders holding Panasonic IS shares as a portfolio investor are generally not subject to Japanese taxation with respect to such gains derived from the sale of their shares under Japanese tax law.

If holders of shares of Panasonic IS's common stock receive cash payments of the sale price from Panasonic IS as a result of their exercise of dissenters appraisal rights under the Companies Act (see The Share Exchange Description of Material Share Exchange Terms Dissenters Appraisal Rights ), the portion of such sale price in excess of the amount corresponding to a pro rata portion of return of capital as determined under

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Japanese tax laws will be deemed dividends for Japanese tax purposes, and such deemed dividend portion, if any, will generally be subject to Japanese withholding tax. Non-resident holders who wish to exercise dissenters' appraisal rights are urged to consult their own tax advisors with respect to the exact tax consequences of their exercise of dissenters' appraisal rights.

***Ownership and Disposition of Panasonic Shares***

Generally, a non-resident holder will be subject to Japanese income tax collected by way of withholding on dividends (meaning in this section distributions made from Panasonic's retained earnings for the Companies Act purposes) Panasonic pays with respect to shares of its common stock and such tax will be withheld prior to payment of dividends. Stock splits generally are not subject to Japanese income or corporation tax.

For the purpose of Japanese taxation, a non-resident holder of ADSs is generally treated as a beneficial owner of the shares of Panasonic's common stock underlying the ADSs evidenced by the ADRs. Deposits or withdrawals of shares of Panasonic's common stock by a non-resident holder in exchange for ADSs are generally not subject to Japanese income or corporation tax.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax or allowing exemption from Japanese withholding tax, the rate of the Japanese withholding tax applicable to dividends paid by Japanese corporations on their shares of stock to non-resident holders is generally 20.42% (or 20% for dividends due and payable on or after January 1, 2038) under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as shares of Panasonic's common stock or ADSs) to non-resident holders, other than any individual shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation (to whom the aforementioned withholding tax rate will still apply), the aforementioned withholding tax rate is reduced to (i) 15.315% for dividends due and payable up to and including December 31, 2037 and (ii) 15% for dividends due and payable on or after January 1, 2038. The withholding tax rates described above include the special reconstruction surtax (2.1% multiplied by the original applicable withholding tax rate, i.e., 15% or 20%, as the case may be), which is imposed during the period from and including January 1, 2013 to and including December 31, 2037, to fund the reconstruction from the Great East Japan Earthquake.

If distributions were made from Panasonic's capital surplus, rather than retained earnings, for the Companies Act purposes, the portion of such distributions in excess of the amount corresponding to a pro rata portion of return of capital as determined under Japanese tax laws would be deemed dividends for Japanese tax purposes, while the rest would be treated as return of capital for Japanese tax purposes. The deemed dividend portion, if any, would generally be subject to the same tax treatment as dividends as described above, and the return of capital portion would generally be treated as proceeds derived from the sale of shares and subject to the same tax treatment as sale of shares of Panasonic's common stock as described below. Distributions made in consideration of repurchase by Panasonic of Panasonic's own shares or in connection with certain reorganization transactions (e.g., merger) will be treated substantially in the same manner.

Japan has income tax treaties whereby the withholding tax rate (including the special reconstruction surtax) may be reduced, generally to 15%, for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain, while the income tax treaties with, among others, Australia, France, Hong Kong, the Netherlands, Portugal, Switzerland, Sweden, the United Kingdom and the United States generally reduce the withholding tax rate to 10% for portfolio investors. In addition, under the income tax treaty between the United States and Japan, dividends paid to pension funds which are qualified U.S. residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless the dividends are derived from the carrying on of a business, directly or indirectly, by the pension funds. Similar treatment is applicable to dividends paid to pension funds under the income tax treaties between Japan and the Netherlands, Switzerland and the United Kingdom. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty shall be available when such maximum rate is below the rate otherwise applicable under the Japanese tax law referred to in the preceding paragraph with respect to the dividends to be paid by us on shares of Panasonic's common stock.



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Non-resident holders who are entitled under an applicable tax treaty to a reduced rate of, or exemption from, Japanese withholding tax on any dividends on shares of Panasonic's common stock are, in principle, required to submit, through the withholding agent to the relevant tax authority prior to the payment of dividends, an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends together with any required forms and documents. With respect to ADSs, this reduced rate or exemption is applicable if the Depositary or its agent submits two Application Forms (one before payment of dividends, the other within eight months after the record date concerning such payment of dividends) together with certain other documents to the Japanese tax authority. To claim this reduced rate or exemption, any relevant non-resident holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depositary. A standing proxy for a non-resident holder may be used in order to submit the application on a non-resident holder's behalf. In this regard, a certain simplified special filing procedure is available for non-resident holders to claim treaty benefits of reduction of or exemption from Japanese withholding tax by submitting a Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stocks together with any required forms and documents. Non-resident holders who are entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, by complying with a certain subsequent filing procedure. Panasonic does not assume any responsibility to ensure withholding at the reduced treaty rate, or exemption therefrom, for shareholders who would be eligible under an applicable tax treaty but who do not follow the required procedures as stated above.

Gains derived from the sale of shares of Panasonic's common stock or ADSs outside Japan by a non-resident holder that is a portfolio investor will generally not be subject to Japanese income or corporation taxes.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired from another individual shares of Panasonic's common stock or ADSs as a legatee, heir or donee, even if the acquiring individual is not a Japanese resident.

Holders of Panasonic's shares of common stock or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. Holders (hereinafter defined), the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.

### **Material U.S. Federal Income Tax Consequences**

This section describes the material U.S. federal income tax consequences of the Share Exchange and the ownership of shares of Panasonic's common stock or ADSs. It applies solely to persons that hold the common stock of Panasonic IS, and that will ultimately hold shares of Panasonic's common stock or ADSs, as capital assets for U.S. federal income tax purposes. This section does not apply to members of a special class of holders subject to special rules, including:

a dealer in securities or foreign currencies,

regulated investment companies,

a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,

a tax-exempt organization,

a bank, financial institution, or insurance company,

a person liable for alternative minimum tax,



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a person that actually or constructively owns 10% or more, by vote or value, of Panasonic or Panasonic IS,

a person that holds Panasonic IS's common stock or Panasonic's common stock or ADSs as part of a straddle or a hedging, conversion, or other risk reduction transaction for U.S. federal income tax purposes,

a person that purchased Panasonic IS's common stock or sells Panasonic's common stock or ADSs as part of a wash sale for tax purposes,

a person that acquired Panasonic IS's common stock pursuant to the exercise of employee stock options or otherwise as compensation, or

a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on applicable tax treaties. These laws are subject to change, possibly on a retroactive basis.

In general, for purposes of U.S. federal income tax purposes, beneficial owners of ADRs evidencing ADSs will be treated as owners of the shares of Panasonic's common stock represented by those ADSs, and exchanges of shares of Panasonic's common stock for ADRs, and exchanges of ADRs for shares of Panasonic's common stock, will not be subject to U.S. federal income tax. Therefore, the following discussion of U.S. federal income tax consequences also applies to holders of Panasonic's common stock who, after the Share Exchange, exchange their shares of Panasonic's common stock for Panasonic's ADSs, provided that the obligations contemplated by the deposit agreement between Panasonic and the depository for Panasonic's ADR facility are performed in accordance with their terms.

If a partnership holds the shares of common stock or ADSs, the U.S. federal income tax treatment of a partner will depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares of common stock or ADSs should consult its tax advisor with regard to the U.S. federal income tax treatment of the Share Exchange and the ownership of shares of Panasonic's common stock or ADSs.

No statutory, judicial or administrative authority directly discusses how the Share Exchange and the ownership of Panasonic's common stock or ADSs should be treated for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences of the Share Exchange and the ownership of Panasonic stock are uncertain. Shareholders should consult their own tax advisor regarding the United States federal, state and local and foreign and other tax consequences of the Share Exchange and of owning and disposing of shares of Panasonic's common stock in their particular circumstances.

To the extent this section consists of a statement as to matters of U.S. tax law, this section is the opinion of Sullivan & Cromwell LLP.

***U.S. Holders***

For the purposes of this discussion, a U.S. Holder is a beneficial owner of shares that is:

an individual that is a citizen or resident of the U.S.,

a corporation, or other entity taxable as a corporation, created or organized under the laws of the U.S.,

an estate whose income is subject to U.S. federal income tax regardless of its source, or

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a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

**Table of Contents****Exchange of Shares for Panasonic Stock Pursuant to the Share Exchange**

Panasonic intends to take the position that the Share Exchange constitutes for U.S. federal income tax purposes a reorganization within the meaning of Section 368(a) of the Code. As a result, subject to certain exceptions, the exchange of shares of Panasonic IS's common stock for shares of Panasonic's common stock will be tax-free to U.S. Holders. A U.S. Holder's tax basis in Panasonic common shares received in the Share Exchange will equal such U.S. Holder's basis in the shares exchanged therefor, less any basis attributable to the fractional shares sold for cash or to the shares sold pursuant to a holder's exercise of dissenters' rights of appraisal, as discussed below; and a U.S. Holder's holding period for Panasonic common shares received in the Share Exchange will include the U.S. Holder's holding period in respect of the Panasonic IS common shares exchanged for Panasonic common shares.

A U.S. holder (i) who exercises dissenters' rights of appraisal, as discussed in *The Share Exchange Description of Material Share Exchange Terms Dissenters Appraisal Rights*, with respect to its shares of Panasonic IS common stock, and receives cash as a result, or (ii) receives cash in lieu of fractional shares of Panasonic's common stock will recognize gain or loss equal to the difference between the amount of cash received and such U.S. holder's aggregate tax basis in its Panasonic IS shares. Subject to the discussion below under *Material U.S. Federal Income Tax Consequences PFIC Considerations Consequences of Holding Panasonic Stock*, such gain or loss generally will be capital gain or loss, which is taxed at preferential rates with respect to a noncorporate U.S. Holder that has a holding period greater than one year. For purposes of determining a U.S. holder's foreign tax credit, such amounts would ordinarily be deemed to be income from sources within the United States. However, as discussed above under *Japanese Tax Consequences Consequences of the Share Exchange*, a portion of the amounts received by Panasonic IS shareholders who exercise their dissenters' rights of appraisal may be treated as dividends for Japanese tax purposes and subject to Japanese withholding tax. Pursuant to the Convention Between the Government of the United States of America and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Tax Treaty, if the deemed dividend is received by a U.S. holder that is eligible for the benefits of the Tax Treaty, then, for purposes of determining a U.S. holder's foreign tax credit, such deemed dividend would generally be treated as arising from sources within Japan. U.S. holders who receive cash pursuant to the exercise of dissenters' rights of appraisal should consult their own tax advisors concerning the proper U.S. federal income tax treatment of the receipt of such cash.

Neither Panasonic nor Panasonic IS has obtained or will obtain a ruling from the IRS that the Share Exchange will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Consequently there is no guarantee that the IRS will treat the Share Exchange in the manner described herein.

If the IRS successfully challenges the treatment of the Share Exchange as a reorganization, the Share Exchange would be a taxable transaction for U.S. federal income tax purposes. As a result, a U.S. Holder would generally recognize a capital gain or loss measured by the difference between (i) the sum of (A) the fair market value (in U.S. dollars) of Panasonic's common stock received in exchange for the holder's Panasonic IS shares and (B) any cash received in lieu of fractional shares of Panasonic's common stock, and (ii) the holder's tax basis in the shares of Panasonic IS's common stock it holds. Such capital gain or loss would be long-term capital gain or loss if, at the time of the exchange, the holder's holding period in its shares of Panasonic IS's common stock exceeds one year. A U.S. Holder's tax basis in shares of Panasonic's common stock received in the Shares Exchange would be the fair market value (in U.S. dollars) of those shares on the date the holder receives them. The U.S. Holder's holding period for shares of Panasonic's common stock received in the Share Exchange would begin on the day after the date the holder receives those shares.

Shareholders should consult their own tax advisors regarding the U.S. federal, state and local and foreign and other tax consequences of the Share Exchange in their particular circumstances (including the possible tax consequences if the reorganization treatment is successfully challenged).

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The discussion regarding the tax consequences of the Share Exchange is based on determinations by Panasonic IS that Panasonic IS is not and has not been a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. See the discussion below under PFIC Considerations Consequences of the Share Exchange for the consequences if Panasonic IS were treated as a PFIC.

### **Tax Consequences of Owning Panasonic's Common Stock**

*Taxation of Dividends.* Under the U.S. federal income tax laws, subject to the discussion of PFIC taxation below, a U.S. Holder must include in its gross income the gross amount of any dividend paid by Panasonic out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Dividends will be taxed as ordinary income to the extent that they are paid out of Panasonic's current or accumulated earnings and profits. Dividends paid to a noncorporate U.S. Holder by certain qualified foreign corporations that constitute qualified dividend income will be taxable to the holder at the preferential rates applicable to long-term capital gains provided that the holder holds the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Subject to the discussion regarding PFIC taxation below, dividends Panasonic pays with respect to the shares will be qualified dividend income, assuming the holding period requirements are met.

A U.S. Holder must include any foreign tax withheld from the dividend payment in this gross amount even though the holder does not in fact receive it. The dividend is taxable to a U.S. Holder when the U.S. Holder receives the dividend, actually or constructively.

The dividend will not be eligible for the dividends-received deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the shares of Panasonic's common stock, causing a reduction in the U.S. Holder's adjusted basis in Panasonic's common stock, and thereafter as capital gain.

Subject to certain limitations, any non-U.S. tax withheld and paid over to a non-U.S. taxing authority is eligible for credit against a U.S. Holder's U.S. federal income tax liability except to the extent a refund of the tax withheld is available to the U.S. Holder under non-U.S. tax law or under an applicable tax treaty. The amount allowed to a U.S. Holder as a credit is limited to the amount of the U.S. Holder's U.S. federal income tax liability that is attributable to income from sources outside the U.S. and is computed separately with respect to different types of income that the U.S. Holder receives from non-U.S. sources. Dividends paid by Panasonic will be foreign source income and depending on the circumstances of the U.S. Holder, will be either passive or general income for purposes of computing the foreign tax credit allowable to a U.S. Holder.

*Taxation of Capital Gains.* Subject to the discussion of PFIC taxation below, a U.S. Holder which sells or otherwise disposes of its shares of Panasonic common stock or ADSs will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the amount that the U.S. Holder realizes and the U.S. Holder's tax basis in those shares. Capital gain of a noncorporate U.S. Holder is taxed at preferential rates when the holder has a holding period greater than one year. The gain or loss will be U.S. source income or loss for foreign tax credit limitation purposes. The deduction of capital losses is subject to limitations.

### **PFIC Considerations Consequences of Holding Panasonic Stock**

Panasonic believes that shares of common stock and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination made annually and thus may be subject to change. If Panasonic were to be treated as a PFIC (unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to the shares of Panasonic's common stock or ADSs), gain

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realized on the sale or other disposition of shares of Panasonic's common stock or ADSs would in general not be treated as capital gain, and a U.S. Holder would be treated as if such holder had realized such gain and certain excess distributions ratably over the holder's holding period for the shares of Panasonic's common stock and ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, shares of Panasonic's common stock or ADSs will be treated as stock in a PFIC if Panasonic were a PFIC at any time during the U.S. Holder's holding period in the shares of Panasonic's common stock or ADSs.

Dividends that such U.S. Holder receives from Panasonic will not be eligible for the special tax rates applicable to qualified dividend income if Panasonic is treated as a PFIC with respect to such U.S. Holder either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

**PFIC Considerations - Consequences of the Share Exchange**

If it were determined that Panasonic IS were a PFIC, then a U.S. Holder may be required to recognize gain (but not loss) as a result of the Share Exchange, notwithstanding the Share Exchange's qualification as a reorganization within the meaning of Section 368(a) of the Code. In particular, Section 1291(f) of the Code requires that, to the extent provided in regulations, a U.S. person that disposes of stock of a PFIC recognizes gain notwithstanding any other provision of the Code. No final Treasury Regulations have been promulgated under Section 1291(f). Proposed Treasury Regulations were promulgated in 1992 with a retroactive effective date. If finalized in their current form, these regulations would generally require gain (but not loss) recognition by U.S. persons exchanging shares in a corporation that is a PFIC at any time during such U.S. person's holding period of such shares. There is an exception to this rule in certain instances where the exchanging shareholder receives shares of another corporation that is a PFIC. Panasonic IS and Panasonic each believe that it is not and has not been a PFIC. However, as discussed above, the determination whether a foreign corporation is a PFIC is primarily factual and, because there is little administrative or judicial authority on which to rely to make a determination, the IRS might not agree that any of these corporations is not a PFIC. U.S. Holders are strongly urged to consult their tax advisors regarding the PFIC rules, and the potential tax consequences to them if the PFIC rules applied to determine the tax consequences to them of the Share Exchange.

**Medicare Tax on Net Investment Income**

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8 percent tax, or the Medicare tax on the lesser of (i) the U.S. Holder's net investment income for the relevant taxable year (or undistributed net investment income in the case of an estate or trust) and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between U.S.\$125,000 and U.S.\$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income generally includes its dividend income and its net gains from the disposition of shares of common stock or ADSs, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If a U.S. Holder is an individual, estate or trust, such U.S. Holder is urged to consult its tax advisors regarding the applicability of the Medicare tax to the U.S. Holder's income and gains in respect of the U.S. Holder's investment in the shares of common stock or ADSs.

**Information with Respect to Foreign Financial Assets**

Owners of specified foreign financial assets with an aggregate value in excess of U.S.\$50,000, (and in some cases, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. Specified foreign financial assets include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial

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instruments and contracts that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the shares of common stock or ADSs.

### Backup Withholding and Information Reporting

Information reporting requirements for a noncorporate U.S. Holder, on IRS Form 1099, will apply to:

dividend payments or other taxable distributions made to such U.S. Holder within the U.S., and

the payment of proceeds to such U.S. Holder from the sale of Panasonic stock or ADSs effected at a U.S. office of a broker. Additionally, backup withholding (currently at a 28 percent rate) may apply to such payments to a noncorporate U.S. Holder that:

fails to provide an accurate taxpayer identification number,

is notified by the IRS that such U.S. Holder has failed to report all interest and dividends required to be shown on such U.S. Holder's federal income tax returns, or

in certain circumstances, fails to comply with applicable certification requirements.

A person may obtain a refund of any amounts withheld under the backup withholding rules that exceed the person's income tax liability by properly filing a refund claim with the IRS.

### *Non-U.S. Holders*

For the purposes of this discussion, a Non-U.S. Holder is a beneficial owner of Panasonic stock that is not a U.S. person for U.S. federal income tax purposes.

### Tax Consequences of Owning Panasonic Stock

*Taxation of Dividends.* Dividends paid to a Non-U.S. Holder in respect of shares of Panasonic IS's common stock or Panasonic's common stock or ADSs will not be subject to U.S. federal income tax unless the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the U.S., and, if required by an applicable income tax treaty as a condition for subjecting the Non-U.S. Holder to U.S. taxation on a net income basis, the dividends are attributable to a permanent establishment that the Non-U.S. Holder maintains in the U.S. In such cases a Non-U.S. Holder will be taxed in the same manner as a U.S. Holder. If a Non-U.S. Holder is a corporate Non-U.S. Holder, effectively connected dividends may, under certain circumstances, be subject to an additional branch profits tax at a 30 percent rate or at a lower rate if it is eligible for the benefits of an income tax treaty that provides for a lower rate.

*Taxation of Capital Gains.* A Non-U.S. Holder will not be subject to U.S. federal income tax on gain recognized on the sale or other disposition of the Non-U.S. Holder's shares of Panasonic IS's common stock or Panasonic's common stock or ADSs unless:

the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S., and, if required by an applicable income tax treaty as a condition for subjecting the holder to U.S. taxation on a net income basis, the gain is attributable to a permanent establishment that the Non-U.S. Holder maintains in the U.S., or



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the Non-U.S. Holder is an individual, is present in the U.S. for 183 or more days in the taxable year of the sale and certain other conditions exist.

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Effectively connected gains of a corporate Non-U.S. Holder that it recognizes may also, under certain circumstances, be subject to an additional branch profits tax at a 30 percent rate or at a lower rate if it is eligible for the benefits of an income tax treaty that provides for a lower rate.

**Backup Withholding and Information Reporting**

A Non-U.S. Holder is exempt from backup withholding and information reporting requirements with respect to:

dividend payments made to the Non-U.S. Holder outside the U.S., and

other dividend payments and the payment of the proceeds from the sale of shares of common stock or ADSs effected at a U.S. office of a broker, as long as the income associated with such payments is otherwise exempt from U.S. federal income tax, and:

the payor or broker does not have actual knowledge or reason to know that the holder is a U.S. person and the Non-U.S. Holder has furnished the payor or broker:

an IRS Form W-8 or an acceptable substitute form upon which the Non-U.S. Holder certifies, under penalties of perjury that the holder is a non-U.S. person, or

other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with Treasury Regulations, or

the Non-U.S. Holder otherwise establishes an exemption.

Payment of the proceeds from the sale of shares of common stock or ADSs effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale of Panasonic stock that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by a Non-U.S. Holder in the U.S.,

the payment of proceeds or the confirmation of the sale is mailed to the Non-U.S. Holder at a U.S. address, or

the sale has some other specified connection with the U.S. as provided in Treasury Regulations, unless the broker does not have actual knowledge or reason to know that the holder is a U.S. person and the documentation requirements described above are met or the holder otherwise establishes an exemption.

In addition, a sale of common stock or ADSs will be subject to information reporting, but not backup withholding, if it is effected at a foreign office of a broker that is:

a U.S. person,

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a controlled foreign corporation for U.S. federal income tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in Treasury Regulations, which in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a U.S. trade or business, unless the broker does not have actual knowledge or reason to know that the person is a U.S. person and the documentation requirements described above are met or the person otherwise establishes an exemption.

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### **Comparison of Shareholders' Rights**

Both Panasonic and Panasonic IS are joint stock corporations organized under the laws of Japan. Panasonic's common stock is listed on the First Sections of the Tokyo Stock Exchange and the Nagoya Stock Exchange. Panasonic IS's common stock is listed on the First Section of the Tokyo Stock Exchange. In addition, the description of the attributes of shares of common stock in the share capital provisions of the articles of incorporation of Panasonic and Panasonic IS are substantially similar. As a result, there are no material differences between the rights of holders of Panasonic's common stock and of Panasonic IS's common stock from a legal perspective.

### **Experts**

The consolidated financial statements and schedule of Panasonic as of March 31, 2014 and 2013, and for each of the years in the three-year period ended March 31, 2014 have been included herein and in the registration statement in reliance upon the report, appearing elsewhere herein, of KPMG AZSA LLC, an independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

### **Validity of Panasonic Shares**

Nagashima Ohno & Tsunematsu, Japanese counsel for Panasonic, will render an opinion with respect to the validity of the shares of its common stock to be transferred in the Share Exchange.

### **Where You Can Find More Information**

Panasonic has filed with the United States Securities and Exchange Commission, or the SEC, a registration statement on Form F-4 to register under the Securities Act the shares of Panasonic's common stock to be transferred to United States holders of Panasonic IS's common stock in connection with the Share Exchange. This offer to exchange/prospectus forms a part of that registration statement.

Panasonic is a foreign private issuer and, under the rules adopted under the Exchange Act, will be exempt from some of the requirements of that Act, including the proxy and information provisions of Section 14 of the Exchange Act and the reporting and liability provisions applicable to officers, directors and significant shareholders under Section 16 of the Exchange Act.

Following the date of this prospectus, Panasonic will be subject to reporting obligations and any filings Panasonic makes will be made publically available by the SEC. You may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, <http://www.sec.gov>. You may also obtain information about Panasonic through Panasonic's website, <http://www.panasonic.com/global/>, or <http://www.panasonic.com/global/corporate/>. The information contained in those websites is not incorporated by reference into this prospectus.

Panasonic files annual and quarterly securities reports and other reports, in Japanese, under the Financial Instruments and Exchange Act of Japan with the applicable local finance bureau in Japan.

Panasonic has not authorized anyone to give any information or make any representation about the Share Exchange that is different from, or in addition to, that contained in this prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you. The information contained in this prospectus speaks only as of the date of this document unless the information specifically indicates that another date applies.

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**Enforceability of Civil Liabilities**

Panasonic is a joint-stock corporation with limited liability incorporated under the laws of Japan. Almost all of Panasonic's directors and audit & supervisory board members reside in Japan. All or substantially all of Panasonic's assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for investors to effect service of process within the United States upon Panasonic or these persons or to enforce against it or these persons judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States. Panasonic's Japanese counsel, Nagashima Ohno & Tsunematsu, has advised it that there is doubt as to the enforceability in Japan, in original actions or inactions for enforcement of judgments of United States courts, of liabilities predicated solely upon the federal securities laws of the United States.

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<sup>1</sup> All other schedules are omitted as permitted by the rules and regulations of the Securities and Exchange Commission as the required information is presented in the consolidated financial statements or notes thereto, or the schedules are not applicable.

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Panasonic Corporation:

We have audited the accompanying consolidated balance sheets of Panasonic Corporation and subsidiaries (the Company) as of March 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended March 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Panasonic Corporation and subsidiaries as of March 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG AZSA LLC

Osaka, Japan

February 17, 2015, except for Note 22, as to which the date is April 28, 2015

**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Balance Sheets****March 31, 2014 and 2013 and September 30, 2014**

	Yen (millions)		
	March 31, 2014	2013	September 30, 2014 (Unaudited)
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents (Note 8)	592,467	496,283	634,555
Time deposits (Note 8)		1,674	1,653
Trade receivables (Note 16):			
Related companies (Note 3)	18,672	14,768	17,317
Notes	73,450	56,503	98,247
Accounts	939,787	891,454	917,358
Allowance for doubtful receivables	(24,476)	(23,398)	(25,468)
Net trade receivables	1,007,433	939,327	1,007,454
Inventories (Note 2)	750,681	786,845	828,802
Other current assets (Notes 6, 10 and 17)	303,411	269,954	343,901
<b>Total current assets</b>	<b>2,653,992</b>	<b>2,494,083</b>	<b>2,816,365</b>
Investments and advances:			
Associated companies (Note 3)	156,506	138,652	170,284
Other investments and advances (Notes 4 and 8)	115,298	138,326	134,392
<b>Total investments and advances</b>	<b>271,804</b>	<b>276,978</b>	<b>304,676</b>
Property, plant and equipment (Notes 5 and 6):			
Land	283,305	313,991	275,951
Buildings	1,453,550	1,638,974	1,410,759
Machinery and equipment	2,728,925	2,723,993	2,744,599
Construction in progress	44,220	60,173	36,151
	4,510,000	4,737,131	4,467,460
Less accumulated depreciation	3,084,551	3,061,703	3,086,469
<b>Net property, plant and equipment</b>	<b>1,425,449</b>	<b>1,675,428</b>	<b>1,380,991</b>
Other assets:			
Goodwill (Notes 7 and 21)	473,377	512,146	471,425
Intangible assets (Notes 5, 6, 7 and 21)	203,591	223,013	191,437
Other assets (Notes 9 and 10)	184,781	216,164	179,631
<b>Total other assets</b>	<b>861,749</b>	<b>951,323</b>	<b>842,493</b>



5,212,994	5,397,812	5,344,525
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See accompanying Notes to Consolidated Financial Statements.

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**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Balance Sheets (Continued)****March 31, 2014 and 2013 and September 30, 2014**

	Yen (millions)		
	March 31,	2013	September 30,
	2014		2014 (Unaudited)
<b><u>Liabilities and Equity</u></b>			
Current liabilities:			
Short-term debt, including current portion of long-term debt (Notes 5 and 8)	84,738	480,304	86,848
Trade payables:			
Related companies (Note 3)	43,525	38,752	46,501
Notes	200,355	52,030	246,601
Accounts	693,135	701,004	683,994
Total trade payables	937,015	791,786	977,096
Accrued income taxes (Note 10)	40,454	32,162	40,329
Accrued payroll (Note 16)	217,246	201,460	172,156
Other accrued expenses (Notes 15 and 19)	799,959	713,314	824,737
Deposits and advances from customers	75,520	75,669	86,109
Employees deposits	5,146	6,610	4,781
Other current liabilities (Notes 9, 10 and 17)	277,781	297,854	289,798
Total current liabilities	2,437,859	2,599,159	2,481,854
Noncurrent liabilities:			
Long-term debt (Notes 5 and 8)	557,374	663,091	516,089
Retirement and severance benefits (Note 9)	430,701	621,802	397,301
Other liabilities (Note 10)	200,622	209,487	201,296
Total noncurrent liabilities	1,188,697	1,494,380	1,114,686
Equity:			
Panasonic Corporation shareholders' equity:			
Common stock (Note 12):			
Authorized 4,950,000,000 shares			
Issued 2,453,053,497 shares	258,740	258,740	258,740
Capital surplus (Notes 12 and 13)	1,109,501	1,110,686	986,460
Retained earnings (Note 12)	878,742	769,863	941,182
Accumulated other comprehensive income (loss) (Note 14):			
Cumulative translation adjustments	(167,219)	(297,015)	(86,993)
Unrealized holding gains (losses) of available-for-sale securities (Note 4)	6,027	(218)	13,582
Unrealized gains (losses) of derivative instruments (Note 17)	(237)	(4,573)	1,357
Pension liability adjustments (Note 9)	(290,270)	(326,423)	(276,903)
Total accumulated other comprehensive loss	(451,699)	(628,229)	(348,957)
Treasury stock, at cost (Note 12):			

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141,496,296 shares as of March 31, 2014, 141,394,374 shares as of March 31, 2013, and 141,532,404 shares as of September 30, 2014	(247,132)	(247,028)	(247,174)
Total Panasonic Corporation shareholders' equity	1,548,152	1,264,032	1,590,251
Noncontrolling interests	38,286	40,241	157,734
Total equity	1,586,438	1,304,273	1,747,985
Commitments and contingent liabilities (Notes 5 and 19)			
	5,212,994	5,397,812	5,344,525

See accompanying Notes to Consolidated Financial Statements.

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**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Statements of Operations****Years ended March 31, 2014, 2013 and 2012 and Six Months ended September 30, 2014 and 2013**

	Yen (millions)			Six months ended	
	Year ended March 31, 2014	2013	2012	2014 (Unaudited)	2013
<b>Revenues, costs and expenses:</b>					
<b>Net sales:</b>					
Related companies	129,045	135,006	174,887	65,363	75,816
Other	7,607,496	7,168,039	7,671,329	3,657,520	3,630,504
<b>Total net sales</b>	<b>7,736,541</b>	<b>7,303,045</b>	<b>7,846,216</b>	<b>3,722,883</b>	<b>3,706,320</b>
Cost of sales (Notes 3, 14, 16, 17 and 19)	(5,638,869)	(5,419,888)	(5,864,515)	(2,683,320)	(2,719,436)
Selling, general and administrative expenses (Note 16)	(1,792,558)	(1,722,221)	(1,937,976)	(862,584)	(840,295)
Interest income	10,632	9,326	13,388	6,230	4,831
Dividends received	1,992	3,686	6,129	1,236	1,510
Other income (Notes 4, 9, 14, 16 and 17)	243,488	91,807	44,124	17,625	108,075
Interest expense (Note 8)	(21,911)	(25,601)	(28,404)	(9,421)	(11,884)
Impairment losses of long-lived assets (Note 6)	(103,763)	(138,138)	(399,259)	(3,605)	(6,165)
Goodwill impairment (Note 7)	(8,069)	(250,583)	(163,902)		
Other deductions (Notes 3, 4, 6, 14, 15, 16 and 17)	(221,258)	(249,819)	(328,645)	(67,142)	(35,551)
<b>Income (loss) before income taxes</b>	<b>206,225</b>	<b>(398,386)</b>	<b>(812,844)</b>	<b>121,902</b>	<b>207,405</b>
<b>Provision for income taxes (Note 10):</b>					
Current	92,817	66,532	69,206	42,352	40,561
Deferred	(3,152)	318,141	(59,439)	(5,441)	(3,235)
	89,665	384,673	9,767	36,911	37,326
Equity in earnings of associated companies (Note 3)	5,085	7,891	6,467	5,138	3,096
<b>Net income (loss)</b>	<b>121,645</b>	<b>(775,168)</b>	<b>(816,144)</b>	<b>90,129</b>	<b>173,175</b>
Less net income (loss) attributable to noncontrolling interests	1,203	(20,918)	(43,972)	9,196	3,841
<b>Net income (loss) attributable to Panasonic Corporation</b>	<b>120,442</b>	<b>(754,250)</b>	<b>(772,172)</b>	<b>80,933</b>	<b>169,334</b>
<b>Yen</b>					
<b>Net income (loss) per share attributable to Panasonic Corporation</b>					
<b>common shareholders (Note 11):</b>					
Basic	52.10	(326.28)	(333.96)	35.01	73.25
Diluted				35.01	

See accompanying Notes to Consolidated Financial Statements.

**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income (Loss)****Years ended March 31, 2014, 2013 and 2012 and Six Months ended September 30, 2014 and 2013**

	Yen (millions)			Six months ended	
	Year ended March 31, 2014	2013	2012	September 30, 2014 (Unaudited)	2013
Net income (loss)	121,645	(775,168)	(816,144)	90,129	173,175
Other comprehensive income (loss), net of tax (Note 14):					
Translation adjustments	136,633	198,287	(19,887)	85,403	55,005
Unrealized holding gains (losses) of available-for-sale securities	6,201	(13,416)	(3,476)	7,581	12,521
Unrealized gains (losses) of derivative instruments	4,300	(845)	(6,018)	1,450	2,032
Pension liability adjustments	38,551	(62,481)	(79,874)	13,198	(31,074)
	185,685	121,545	(109,255)	107,632	38,484
Comprehensive income (loss)	307,330	(653,623)	(925,399)	197,761	211,659
Less comprehensive income (loss) attributable to noncontrolling interests	10,358	(6,299)	(44,210)	14,086	7,868
Comprehensive income (loss) attributable to Panasonic Corporation	296,972	(647,324)	(881,189)	183,675	203,791

See accompanying Notes to Consolidated Financial Statements.

**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Statements of Equity****Years ended March 31, 2014, 2013 and 2012 and Six Months ended September 30, 2014 and 2013**

	Yen (millions)			Six months ended	
	Year ended March 31, 2014	2013	2012	2014 (Unaudited)	2013
<b>Common stock:</b>					
Balance at beginning of period	258,740	258,740	258,740	258,740	258,740
Balance at end of period	258,740	258,740	258,740	258,740	258,740
<b>Capital surplus:</b>					
Balance at beginning of period	1,110,686	1,117,530	1,100,181	1,109,501	1,110,686
Sale of treasury stock			(1,752)		
Equity transactions with noncontrolling interests and others (Note 13)	(1,185)	(6,844)	19,101	(123,041)	(850)
Balance at end of period	1,109,501	1,110,686	1,117,530	986,460	1,109,836
<b>Retained earnings:</b>					
Balance at beginning of period	769,863	1,535,689	2,496,107	878,742	769,863
Sale of treasury stock	(5)	(17)	(166,334)	(1)	(3)
Cash dividends to Panasonic Corporation stockholders	(11,558)	(11,559)	(21,912)	(18,492)	
Net income (loss) attributable to Panasonic Corporation	120,442	(754,250)	(772,172)	80,933	169,334
Balance at end of period	878,742	769,863	1,535,689	941,182	939,194
<b>Accumulated other comprehensive income (loss):</b>					
Balance at beginning of period	(628,229)	(735,155)	(625,300)	(451,699)	(628,229)
Other comprehensive income (loss), net of tax (Note 14)	176,530	106,926	(109,017)	102,742	34,457
Equity transactions with noncontrolling interests and others			(838)		
Balance at end of period	(451,699)	(628,229)	(735,155)	(348,957)	(593,772)
<b>Treasury stock (Note 12):</b>					
Balance at beginning of period	(247,028)	(247,018)	(670,736)	(247,132)	(247,028)
Sale of treasury stock	12	25	424,154	5	6
Repurchase of common stock	(116)	(35)	(436)	(47)	(26)
Balance at end of period	(247,132)	(247,028)	(247,018)	(247,174)	(247,048)
<b>Noncontrolling interests:</b>					
Balance at beginning of period	40,241	47,780	387,343	38,286	40,241
Cash dividends paid to noncontrolling interests	(13,628)	(10,549)	(11,642)	(16,094)	(8,165)
Net income (loss) attributable to noncontrolling interests	1,203	(20,918)	(43,972)	9,196	3,841
Other comprehensive income (loss), net of tax (Note 14)	9,155	14,619	(238)	4,890	4,027
Equity transactions with noncontrolling interests and others (Note 21)	1,315	9,309	(283,711)	121,456	236

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Balance at end of period	38,286	40,241	47,780	157,734	40,180
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See accompanying Notes to Consolidated Financial Statements.

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**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Statements of Cash Flows****Years ended March 31, 2014, 2013 and 2012 and Six Months ended September 30, 2014 and 2013**

	Yen (millions)			Six months ended	
	Year ended March 31, 2014	2013	2012	2014 (Unaudited)	2013
<b>Cash flows from operating activities (Note 16):</b>					
Net income (loss)	121,645	(775,168)	(816,144)	90,129	173,175
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	331,083	339,367	374,785	137,156	165,976
Net gains on sale of investments	(25,769)	(29,125)	(5,822)	(1,441)	(24,010)
Provision for doubtful receivables	8,218	6,641	12,162	1,496	2,111
Deferred income taxes (Note 10)	(3,152)	318,141	(59,439)	(5,441)	(3,235)
Write-down of investment securities (Notes 3 and 4)	142	4,017	16,636	36	45
Impairment loss on long-lived assets and goodwill (Notes 6 and 7)	111,832	388,721	563,161	3,605	6,165
Cash effects of changes in, excluding acquisition:					
Trade receivables	(34,882)	128,088	24,228	22,581	11,539
Inventories	64,601	64,625	40,318	(69,461)	(46,691)
Other current assets	35,714	51,168	17,130	(11,639)	18,741
Trade payables	124,467	(68,282)	(103,788)	35,905	(11,150)
Accrued income taxes	11,572	4,817	(7,473)	2,063	3,185
Accrued expenses and other current liabilities	32,875	(117,098)	(9,089)	(30,701)	(43,165)
Retirement and severance benefits	(140,422)	(8,811)	(29,374)	(19,470)	(101,416)
Deposits and advances from customers	1,363	3,247	(14,547)	8,868	8,177
Other, net (Notes 3 and 19)	(57,337)	28,402	(761)	3,614	2,020
<b>Net cash provided by (used in) operating activities</b>	<b>581,950</b>	<b>338,750</b>	<b>1,983</b>	<b>167,300</b>	<b>161,467</b>
<b>Cash flows from investing activities (Note 16):</b>					
Proceeds from disposition of investments and advances	63,185	195,401	104,542	12,649	53,477
Increase in investments and advances	(18,226)	(4,144)	(6,945)	(4,316)	(5,122)
Capital expenditures	(201,735)	(320,168)	(495,342)	(102,219)	(99,830)
Proceeds from disposals of property, plant and equipment	53,321	146,562	53,333	14,780	12,518
(Increase) decrease in time deposits, net	1,674	36,795	30,952	(1,653)	1,642
Proceeds from sale of consolidated subsidiaries	176,489	6,685		18,928	
Purchase of shares of newly consolidated subsidiaries, net of acquired companies cash and cash equivalents (Note 21)	(45,455)	(3,383)			
Other, net	(17,125)	(41,342)	(28,416)	(18,194)	(8,937)
<b>Net cash provided by (used in) investing activities</b>	<b>12,128</b>	<b>16,406</b>	<b>(341,876)</b>	<b>(80,025)</b>	<b>(46,252)</b>



**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Statements of Cash Flows (Continued)****Years ended March 31, 2014, 2013 and 2012 and Six Months ended September 30, 2014 and 2013**

	Yen (millions)			Six months ended	
	Year ended March 31, 2014	2013	2012	2014 (Unaudited)	2013
Cash flows from financing activities (Note 16):					
Increase (decrease) in short-term debt with maturities of three months or less, net	(135,699)	(25,168)	141,451	(9,607)	(117,202)
Proceeds from short-term debt with maturities longer than three months	11,469	433,820	280,677	13,450	7,191
Repayments of short-term debt with maturities longer than three months	(35,163)	(650,938)	(60,000)	(8,674)	(16,089)
Proceeds from long-term debt		648	828		
Repayments of long-term debt	(342,761)	(226,320)	(370,052)	(37,232)	(34,958)
Dividends paid to Panasonic Corporation shareholders (Note 12)	(11,558)	(11,559)	(21,912)	(18,492)	
Dividends paid to noncontrolling interests	(13,628)	(10,549)	(11,642)	(16,094)	(8,165)
Repurchase of common stock (Note 12)	(116)	(35)	(436)	(47)	(26)
Sale of treasury stock (Note 12)	7	8	73	4	3
Purchase of noncontrolling interests	(4,025)	(940)	(10,640)	(1,114)	(547)
Other, net	(841)	(25)	(1,441)	(366)	(377)
<b>Net cash used in financing activities</b>	<b>(532,315)</b>	<b>(491,058)</b>	<b>(53,094)</b>	<b>(78,172)</b>	<b>(170,170)</b>
Effect of exchange rate changes on cash and cash equivalents	34,421	57,774	(7,428)	32,985	17,242
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>96,184</b>	<b>(78,128)</b>	<b>(400,415)</b>	<b>42,088</b>	<b>(37,713)</b>
Cash and cash equivalents at beginning of year	496,283	574,411	974,826	592,467	496,283
<b>Cash and cash equivalents at end of year</b>	<b>592,467</b>	<b>496,283</b>	<b>574,411</b>	<b>634,555</b>	<b>458,570</b>

See accompanying Notes to Consolidated Financial Statements.

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**PANASONIC CORPORATION**

**AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(Information as of and for the six months ended September 30, 2014 and 2013 is unaudited)**

(1) **Summary of Significant Accounting Policies**

(a) **Description of Business**

Panasonic Corporation (hereinafter, the Company, including consolidated subsidiaries, unless the context otherwise requires) is one of the world's leading producers of electronic and electric products. The Company currently offers a comprehensive range of products, systems and components for consumer, business and industrial use based on sophisticated electronics and precision technology, expanding to building materials and equipment, and housing business.

Sales by segment for the year ended March 31, 2014 were as follows: Appliances 22%, Eco Solutions 20%, AVC Networks 14%, Automotive & Industrial Systems 33%, and Other 11%. A sales breakdown for the year ended March 31, 2014 by geographical market was as follows: Japan 50%, North and South America 14%, Europe 10%, and Asia and Others 26%.

Sales by segment for the six months ended September 30, 2014 were as follows: Appliances 23%, Eco Solutions 20%, AVC Networks 14%, Automotive & Industrial Systems 35%, and Other 8%. A sales breakdown for the six months ended September 30, 2014 by geographical market was as follows: Japan 47%, North and South America 15%, Europe 9%, and Asia and Others 29%.

The Company is not dependent on a single supplier, and has no significant difficulty in obtaining raw materials from suppliers.

(b) **Basis of Presentation of Consolidated Financial Statements**

The Company and its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein have been prepared in a manner that reflects adjustments which are necessary to conform with U.S. generally accepted accounting principles (U.S. GAAP).

(c) **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its majority-owned, controlled subsidiaries. The Company also consolidates entities in which controlling interest exists through variable interests in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in companies and joint ventures over which the Company has the ability to exercise significant influence (generally through a 20% to 50% voting interest) are included in Investments and advances. Associated companies in the consolidated balance sheets.

(d) **Revenue Recognition**

The Company generates revenue principally through the sale of consumer and industrial products, equipment, and supplies. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, and title and risk of loss have been transferred to the customer or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.



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**Notes to Consolidated Financial Statements (Continued)**

**(Information as of and for the six months ended September 30, 2014 and 2013 is unaudited)**

Revenue from sales of products is generally recognized when the products are received by customers. Revenue from sales of certain products with customer acceptance provisions related to their functionality is recognized when the product is received by the customer and the specific criteria of the product functionality are successfully tested and demonstrated.

The Company enters into arrangements with multiple elements, which may include any combination of products or equipment, installation and maintenance. The Company allocates revenue to each element based on its relative selling price if such element meets the criteria for treatment as a separate unit of accounting as prescribed in the provisions of ASC 605, Revenue Recognition. Revenue from sales of products or equipment is generally recognized upon completion of installation or upon acceptance by customers if installation is not required. Maintenance revenue is recognized on a straight-line basis over the term of the maintenance agreement.

The Company's policy is to accept product returns only in the case that the products are defective. The Company issues contractual product warranties under which it guarantees the performance of products delivered and services rendered for a certain period of time. A liability for the estimated product warranty related cost is established at the time revenue is recognized, and is included in Other accrued expenses. Estimates for accrued warranty cost are primarily based on historical experience and current information on repair cost.

Historically, the Company has made certain allowances related to sales to its consumer business distributors. Such allowances are generally provided to compensate the distributors for price adjustments due to a decline in the product's value, and are classified as a reduction of revenue on the consolidated statements of operations. Estimated price adjustments are accrued when the related sales are recognized. The estimate is made based primarily on the historical experience and specific arrangements made with the distributors.

The Company also occasionally offers incentive programs to its distributors in the form of rebates. These rebates are accrued at the latter of the date at which the related revenue is recognized or the date at which the incentive is offered, and are recorded as reductions of sales in accordance with the provisions of ASC 605.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of operations.

**(e) Leases (See Note 5)**

The Company accounts for leases in accordance with the provisions of ASC 840, Leases. Leases of assets under certain conditions are recorded as capital leases in property, plant and equipment in the consolidated balance sheets.

**(f) Inventories (See Note 2)**

Finished goods and work in process are stated at the lower of cost (average) or market. Raw materials are stated at cost, principally on a first-in, first-out basis or average basis, not in excess of current replacement cost.

**(g) Foreign Currency Translation (See Note 14)**

Foreign currency financial statements are translated in accordance with the provisions of ASC 830, Foreign Currency Matters, under which all assets and liabilities are translated into yen at year-end rates and income and expense accounts are translated at weighted-average rates.

Adjustments resulting

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**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****(Information as of and for the six months ended September 30, 2014 and 2013 is unaudited)**

from the translation of financial statements are reflected under the caption, Accumulated other comprehensive income (loss), a separate component of equity.

**(h) Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment. Depreciation is computed primarily using the straight-line method based on the following estimated useful lives:

Buildings	5 to 50 years
Machinery and equipment	2 to 10 years

**(i) Goodwill and Other Intangible Assets (See Notes 6 and 7)**

Goodwill represents the excess of costs over the fair value of net assets of businesses acquired. The Company applies the provisions of ASC 350, Intangibles Goodwill and Other. Goodwill and intangible assets determined to have an indefinite useful life are not amortized, and are instead reviewed for impairment at least annually based on an assessment of current estimated fair value. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform the second step of the impairment test (measurement). If the fair value of the reporting unit exceeds its carrying amount, the second step does not need to be performed. Under the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation in business combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using the guideline merged and acquired company method, guideline public company method, and a discounted cash flow analysis. The provisions of ASC 350 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment based on an assessment of the undiscounted cash flows expected to be generated by the asset, whenever impairment indications are presented. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

**(j) Investments and Advances (See Notes 3, 4 and 14)**

Investments and advances primarily consist of investments in and advances to associated companies, cost method investments, available-for-sale securities, and long-term deposits. Cost method investments and long-term deposits are recorded at historical cost.

The equity method is used to account for investments in associated companies in which the Company exerts significant influence over operating and financial policies, generally having a 20% to 50% voting interest, and corporate joint ventures. The Company also uses the equity method for certain investees if the minority shareholders have substantive participating rights. Under the equity method of accounting, investments are stated at their underlying net equity value after elimination of intercompany profits. The cost method is used when the Company does not have significant influence.



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**PANASONIC CORPORATION**

**AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**(Information as of and for the six months ended September 30, 2014 and 2013 is unaudited)**

The excess of cost of the stock of the associated companies over the Company's share of their net assets at the acquisition date, included in the equity investment balance, is recognized as equity method goodwill. Such equity method goodwill is not amortized and is instead tested for impairment as part of the equity method investment.

The Company accounts for debt and marketable equity securities in accordance with the provisions of ASC 320, Investments Debt and Equity Securities.

The provisions of ASC 320 require that certain investments in debt and marketable equity securities be classified as held-to-maturity, trading, or available-for-sale securities. The Company classifies its existing marketable equity securities other than investments in associated companies and all debt securities as available-for-sale. Available-for-sale securities are carried at fair value with unrealized holding gains or losses included as a component of accumulated other comprehensive income (loss), net of applicable taxes.

Realized gains and losses are determined on the average cost method and reflected in earnings.

On a continuous basis, but no less frequently than at the end of each quarter, the Company evaluates the carrying amount of each of the investments in associated companies, cost method investments and available-for-sale securities for possible other-than-temporary impairment. Factors considered in assessing whether an indication of other-than-temporary impairment exists include the period of time the fair value has been below the carrying amount or cost basis of investment, financial condition and prospects of each investee, and other relevant factors.

Investments in associated companies, cost method investments and available-for-sale securities are reduced to fair value by a charge to earnings when impairment is considered to be other than temporary. Impairment is measured based on the amount by which the carrying amount or cost basis of the investment exceeds its fair value. Fair value is determined based on quoted market prices, discounted cash flows or other valuation techniques as appropriate.

**(k) Allowance for Doubtful Receivables**

An allowance for doubtful trade receivables and advances is provided at an amount calculated based on historical experience, while specific allowances for doubtful trade receivables and advances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility.

**(l) Income Taxes (See Note 10)**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change in tax rate is enacted.

The Company accounts for uncertainty in tax positions in accordance with the provisions of ASC 740, Income Taxes. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are





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**PANASONIC CORPORATION**

**AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**(Information as of and for the six months ended September 30, 2014 and 2013 is unaudited)**

reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits in Provision for income taxes Current in the consolidated statements of operations.

**(m) Advertising (See Note 16)**

Advertising costs are expensed as incurred.

**(n) Net Income (Loss) per Share (See Note 11)**

The Company accounts for net income (loss) per share in accordance with the provisions of ASC 260, Earnings Per Share. This Codification Section establishes standards for computing net income (loss) per share and requires dual presentation of basic and diluted net income (loss) per share on the face of the statements of operations for all entities with complex capital structures.

Under the provisions of ASC 260, basic net income (loss) per share is computed based on the weighted-average number of common shares outstanding during each period, and diluted net income (loss) per share assumes the dilution that could occur if securities or other contracts to issue common stock we