

Vieuno



PanaHome

PanaHome Report 2015

Fujisawa SST



PanaHome Corporation

For the year ended March 31, 2015

As the housing company of the Panasonic Group, PanaHome Corporation is committed to providing ecologically sound living environments that support healthy, abundant lifestyles through its diverse range of housing-related businesses.

Established in 1963, PanaHome was born of the strong sense of mission behind Konosuke Matsushita—founder of the company known today as Panasonic Corporation—who sought to build quality houses befitting the vital role they play in people's lives. In the half-century since, PanaHome has helped families across Japan bring their dream homes to life, maintaining a firm grasp of what it is that truly makes a house a home.

Our desire to provide houses that people will call home for years to come is what fuels our commitment to excellence. Going forward, we will continue to help nurture happy, healthy families by offering houses that are in harmony with the environment and that will be cared for and passed on to future generations. Mindful always of the needs and expectations of our customers, we will further leverage the advanced technologies of the Panasonic Group, together with the exceptional design capabilities we have cultivated over the years, to ensure every home we help create delivers lasting value.

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Forward-Looking Statements

The forward-looking statements contained within this report, including PanaHome's plans and performance forecasts, are based upon certain assumptions deemed to be reasonable by the Company at the time of publication. Actual performance may differ substantially from the forward-looking statements, owing to a variety of factors, including, but not limited to, changes in economic conditions and market trends, changes in financial conditions and major fluctuations in land prices.



Financial Highlights

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, from 2010 to 2015

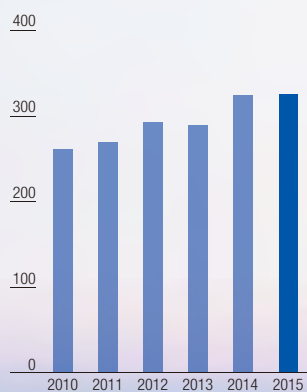
	Millions of Yen						Thousands of U.S. Dollars
	2010	2011	2012	2013	2014	2015	2015
Net Sales	¥260,389	¥269,450	¥293,152	¥289,403	¥324,458	¥325,622	\$2,713,516
Operating Income	5,344	7,831	10,666	11,089	14,222	12,759	106,325
Income before Income Taxes and Minority Interests	5,063	6,768	10,692	11,741	14,520	12,907	107,558
Net Income	2,428	4,325	6,123	7,332	8,925	7,995	66,625
Total Assets	198,048	205,908	216,734	221,787	245,861	246,747	2,056,225
Total Net Assets	117,417	119,234	123,010	127,540	129,080	135,165	1,126,375
Return on Equity	2.1%	3.7%	5.1%	5.9%	7.0%	6.1%	
Equity Ratio	58.9%	57.6%	56.4%	57.4%	52.4%	54.7%	

Per Share Amounts:	Yen						U.S. Dollars
	Net Income	¥14.45	¥25.73	¥36.44	¥43.64	¥53.13	¥47.60
Cash Dividends	15.00	15.00	15.00	15.00	20.00	20.00	0.16
Number of Employees at Year-End (Persons)	5,011	5,093	5,099	5,161	5,218	5,386	

Notes: 1. In this report, "U.S. Dollars" and "\$" refer to the currency of the United States of America and "Yen" and "¥" refer to the currency of Japan. U.S. dollars are translated from yen at the rate of ¥120 = US\$1, the approximate rate of exchange at March 31, 2015, solely for the convenience of the reader.
2. Cash dividends per share are those declared with respect to income for each fiscal year, and cash dividends charged to retained earnings are those actually paid.
3. The Company prepares its financial accounts in accordance with accounting principles generally accepted in Japan (Japanese GAAP) and discloses financial information in accordance with Japan's Financial Instruments and Exchange Act. Up to and including the fiscal year ended March 31, 2014, figures in the Company's annual report were rounded. However, effective from the fiscal year ended March 31, 2015, the Company adopted truncated presentation for figures in the PanaHome Report, which replaces the annual report, in conformity with Japanese GAAP. Figures for previous fiscal year have been adjusted retroactively to reflect this change.

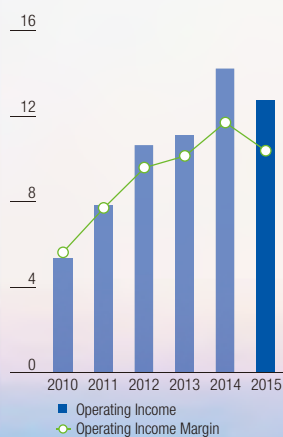
Net Sales

(Billions of Yen)



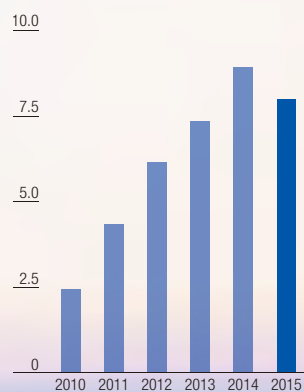
Operating Income / Operating Income Margin

(Billions of Yen)



Net Income

(Billions of Yen)



Total Assets / Equity Ratio

(Billions of Yen)



A Message from the President

As an innovative provider of distinctive living environments with the potential to help realize a sustainable society, we are pressing forward with efforts to balance two key priorities, which are to foster promising businesses and contribute to a sound environment.



In fiscal 2014, ended March 31, 2015, we continued to push ahead with efforts to expand our operations with the aim of ensuring that we achieve the targets of our current medium-term business plan, which will conclude in fiscal 2015, despite the impact of a negative rebound from the demand jump that preceded Japan's consumption tax rate hike in April 2014. Thanks to these and other efforts, consolidated net sales remained essentially level with the previous fiscal year, edging up 0.4%, to ¥325.6 billion (US\$2,713 million). In contrast, operating income declined 10.3%, to ¥12.7 billion (US\$106 million), hampered by increasingly intense competition, among others.

In recent years, rising public awareness of energy-related and environmental issues has heightened people's expectations of their homes. As such, the Panasonic Group has positioned its housing business as a major pillar of growth in its current medium-term business plan.

In response to evolving social imperatives, and to the changing needs of our customers, we will continue to strengthen

collaboration with the Panasonic Group and to foster promising new businesses that will underpin growth over the medium to long term. Moreover, we will redouble efforts to enhance the environmental performance of PanaHome houses, as well as work to further reduce the environmental footprint of our urban development and residential stock businesses, by promoting efforts to reduce CO₂ emissions and ensuring the efficient use of resources across all related processes.

September 2015

A handwritten signature in black ink that reads "Y. Fujii". The signature is written in a cursive, flowing style.

Yasuteru Fujii,
President and CEO

Q Fiscal 2015 is the final year of PanaHome's current medium-term business plan. What sort of progress are you seeing?

We are taking steps to secure growth and improve gross profit as we press forward with efforts to attain the targets of our medium-term business plan.

In April 2013, we announced a medium-term business plan to guide our efforts through fiscal 2015. With the market for new houses—particularly detached houses—shrinking, we are taking decisive steps under this plan to secure an unparalleled position as an innovative provider of distinctive smart living environments that redefines the concept of lifestyle value. Of particular note, we are working to sharpen the competitive edge that our custom-built housing business enjoys by accurately identifying business opportunities and promising new areas, as well as by offering distinctive products and expanding operations. We are also promoting new initiatives in our urban development and residential stock businesses and broadening the scale of new businesses by growing our overseas business. The quantitative targets of the plan are consolidated net sales of ¥340.0 billion, operating income of ¥17.0 billion and an operating income margin of 5.0%.

In fiscal 2013, ended March 31, 2014, we benefited from a sharp increase in orders in the first half, owing to a last-minute demand rush prior to the April 2014 consumption tax rate hike in Japan. Although the second half brought a negative rebound in demand, the receipt of more than 1,000 orders for *ECO CORDIS*, a new house equipped with a 10 kW-plus capacity solar power generation system, continued to underpin robust results. Consolidated net sales for the full term reached ¥324.4 billion and operating income amounted to ¥14.2 billion, up from initial forecasts of ¥310.0 billion and ¥13.0 billion, respectively.

In fiscal 2014, we anticipated full-term net sales of ¥333.0 billion and operating income of ¥16.5 billion, which would have meant achieving our 5.0% operating income margin target a year ahead of schedule. However, because the reversal in demand persisted longer than anticipated, both net sales and operating income fell short of our initial forecasts for the period.

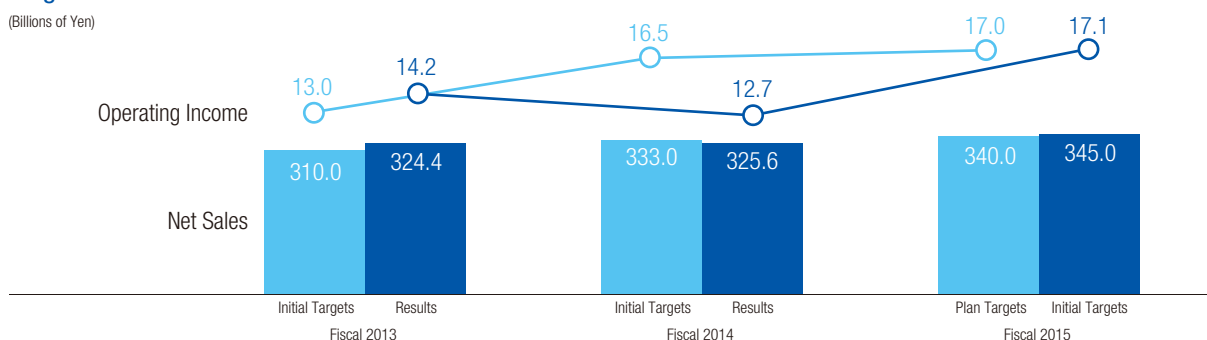
Our initial forecasts for fiscal 2015 call for net sales of ¥345.0 billion, operating income of ¥17.1 billion and an



operating income margin of 5.0%. While the impact of the post-consumption tax rate hike negative demand rebound has been greater than anticipated, we will continue working to ensure growth by expanding sales in our custom-built housing and residential stock businesses, the former by promoting multistory houses for urban areas and other distinctive offerings, as well as by bolstering business-to-consumer (B2C) marketing in our residential stock business through a network of PanaHome Reform showrooms. To achieve our operating income target, we will take steps to bolster gross profit on sales and on construction, as well as to rationalize prices for key raw materials.

Progress of the Medium-Term Business Plan

(Billions of Yen)





What is PanaHome’s position within the Panasonic Group?

PanaHome will play a major role in the Panasonic Group’s drive to expand its housing business.

A key target of the Panasonic Group’s next medium-term business plan will be annual sales of ¥2 trillion in its housing business in fiscal 2018. As the Panasonic Group’s housing company, we will play a major role in—and bear significant responsibility for—expanding the Group’s housing business. Having set our own target of generating ¥500.0 billion of the

targeted ¥2 trillion in sales, we will step up efforts to augment our operations and increase our profitability. To this end, we will continue collaborating with our own Group companies to promote practical measures under our current medium-term business plan including new initiatives through our four-business framework.

Panasonic Group 10 Trillion Yen Sales Targets in Fiscal Year Ending March 2019

(Trillions of Yen)

	Japan	Europe/Americas	Strategic Regions	Total
Consumer Electronics	1.0	0.4	0.9	2.3
Housing	1.6	0.1	0.3	2.0
Automotive	0.7	1.1	0.3	2.1
B2B Solutions	1.2	0.8	0.5	2.5
Devices	0.2	0.2	0.7	1.1



Can you tell us a bit about the strategies you have formulated for your four core businesses?

Custom-Built Housing In custom-built housing, we will sharpen our competitive edge by offering distinctive new products.

In the area of custom-built detached housing, we will continue to capitalize on the advanced technologies of the Panasonic Group to realize what we have dubbed “Zero Eco” houses, that is houses equipped with what we view as the three basic criteria for houses of the future, namely, a solar power generation system with a storage battery, full insulation combined with our HEPA + HEPA filter-equipped ventilation system with ECO NAVI, and the Panasonic Group’s Smart Home Energy Management System (HEMS), to which *Private Viera* (a portable television) has been added as a controller, making energy use clearly visible. These houses thus achieve an environmental performance that exceeds the level implicit in the “zero-energy house (ZEH)” concept.

For urban areas, we will reinforce efforts to market *Vieuno* multistory houses, which can be built up to seven stories, making them suitable multigenerational homes or rental apartments—an attractive tax shelter for people concerned about the impact of recent revisions to Japan’s inheritance tax—or as a primary residence combined with space for commercial

or other nonresidential use. We will also capitalize on our *Vieuno Plaza* sales offices, which enable us to convey the appeal of multistory houses.

In the area of apartments, we have opened a *Lacine* theme studio and a model complex with the aim of bolstering sales of apartments in our *Lacine* line, which are tailored to the concerns and preferences of women. In housing for seniors and nursing care facilities, we will offer services under the name *Age-Free Care*, a new integrated brand that encompasses our nursing care services and those offered by Panasonic, and fortify cooperation with Panasonic to expand sales to facility operators and landowners. We will further expedite marketing efforts by capitalizing on our Care Link System, whereby we match landowners and facility operators with compatible needs.



Vieuno PRO

Urban Development In urban development, we will promote the construction of communities that place a priority on the comfort of residents, regional suitability and environmental soundness.

Having completed our flagship *Fujisawa Sustainable Smart Town (Fujisawa SST)* development, efforts in the property development category will emphasize the construction of PanaHome smart town developments of between 50 and

100 houses in locations across the country. In addition, we will proceed with the construction of PanaHome *Parknade* brand smart



Parknade Meguro Current

condominium complexes, focusing on the urban centers of Tokyo, Nagoya and Osaka. Additionally, to ensure the stable growth of our property development business, we will seek

to secure attractive, suitable sites by, among others, making use of idle land belonging to the Panasonic Group.

Residential Stock In the residential stock business, we will enhance our ability to propose full-scale home remodeling services and offer real estate brokerage services.

To create a business model that improves the efficiency of our home remodeling services from initial proposal through to delivery, in October 2013 we spun off our residential stock business to PanaHome Reform Co., Ltd., a subsidiary established expressly for this purpose, which commenced operations the same month. Looking ahead, the company will continue to spearhead the provision of remodeling services for existing PanaHome houses, as well as work to bolster orders for full-scale remodeling services for wooden detached houses and condominiums. We will also expand our real estate brokerage services by increasing the number of rental houses—both new construction and existing—we

manage, as well as work with Panasonic to fortify our real estate agency services, concentrating on Tokyo, Nagoya and Osaka, by locking in demand for renovation



Remodeled condominium

services for people moving house. Further, we will broaden cooperation with real estate and condominium management firms to augment our redevelopment business, which encompasses the purchase, renovation and retail of older houses and condominiums, and other new businesses.

Overseas Overseas, we will continue to capitalize on the Panasonic brand to expand our operations.

We will continue to leverage the extensive know-how we have accumulated in the domestic housing and urban development businesses and the strength of the Panasonic brand to expand our operations in overseas markets. In custom-built housing, we will seek to differentiate ourselves from competitors by extending the same meticulous design services and superior quality we are known for in Japan, with a focus on wealthy and middle-class potential customers. We will also establish joint ventures with local developers with the aim of

building smart city developments and smart condominium complexes. We are also looking to broaden our focus to include other Association of Southeast Asian Nation (ASEAN) member countries as another effective approach to augmenting our overseas business.



Zhongshan Bei Lu condominium complex (Taipei, Taiwan)

Q PanaHome has abundant cash reserves. Can you tell us about your investment plans and your policy on returns to shareholders?

We will invest in promising businesses to bolster income and strive to enhance returns to shareholders.

Promoting the effective use of cash reserves to fund business growth and raise profitability remains a central management theme. Having stated our intention to achieve significant growth by fiscal 2018, we anticipate steady demand for investment in our urban development, residential stock and overseas businesses—which we see as key growth drivers—to fund the purchase of land and buildings and the formation of strategic capital alliances. In our urban development business, in particular, we will actively expand efforts to secure essential land, while observing rigorous selection standards, allocating funds to purchase prime properties that will boost our property turnover rate, thereby boosting sales. In our overseas business, we will continue to explore the idea of investing in projects with local developers whereby we build houses on land furnished by the developer and both

companies collaborate on the sales front. In all of our businesses, we remain conscious of the need to ensure the soundness of both potential partners and proposed projects before proceeding.

Our policy regarding returns to shareholders is to maintain consistent, stable dividends. In line with this policy, we will continue to determine dividends based on an overall assessment of trends in our operating performance, our financial condition and other factors, and of our need to reinforce our operating foundation. Going forward, our priority will continue to be the achievement of profitable growth, which will position us to enhance shareholder value and realize steady, stable dividend increases. In fiscal 2015, we expect to pay a regular annual dividend of ¥20.00 per share, on a par with fiscal 2014.

Custom-Built Housing



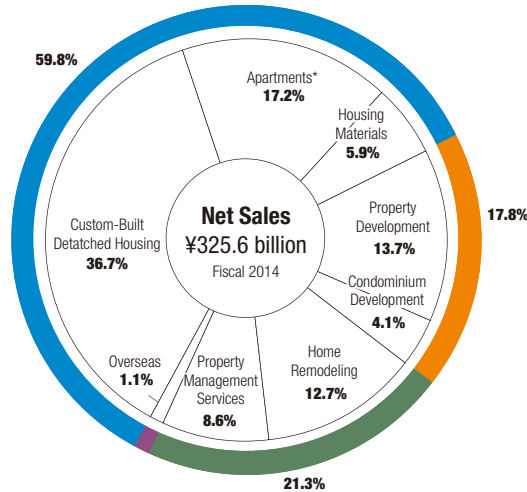
Urban Development



Overseas



Sales Breakdown by Business Category



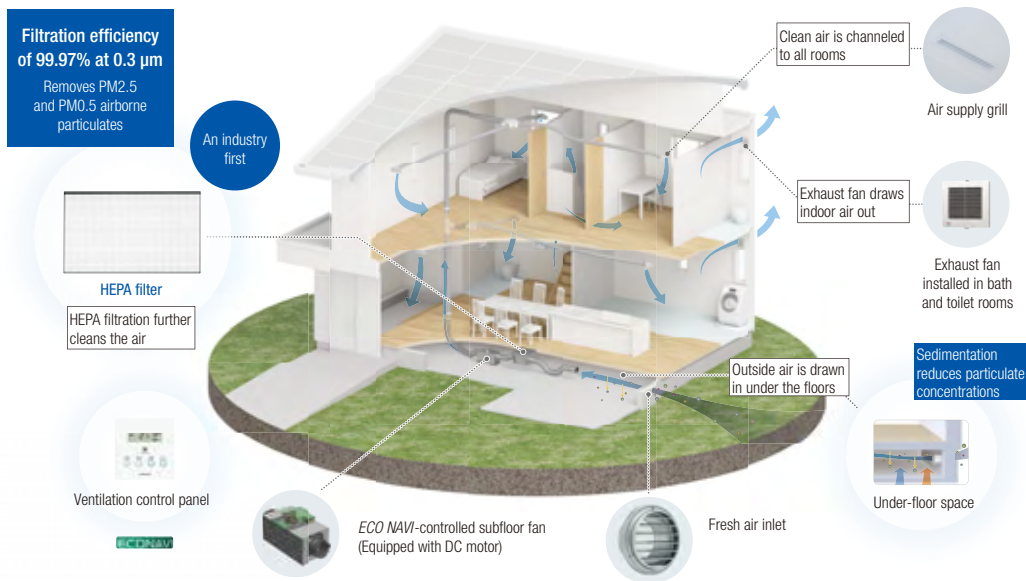
*Comprises rental apartments and medical and nursing care facilities

Residential Stock



HEPA + HEPA Filter-Equipped Ventilation System with ECO NAVI

A PanaHome original, the *HEPA + HEPA* filter-equipped ventilation system with *ECO NAVI* is mounted with a high-efficiency particulate air (HEPA) filter, which removes PM0.5 airborne particulates—considered to have the greatest health implications among particulates designated PM2.5^{*1}—and has a filtration efficiency of 99.97%^{*2} for particulates 0.3 micrometers (μm) in diameter. This is the first HEPA filter-equipped ventilation system to be offered as a standard feature in a prefabricated house in Japan^{*3}. The HEPA filter essentially keeps ultrafine particulates out of the house, thereby ensuring that indoor environmental air quality is safe and comfortable for both adults and children.



^{*1} PM2.5 designates fine airborne particulates, that is, particulates with a diameter of 2.5 μm or less (1 μm = one thousandth of a millimeter).

^{*2} Filtration efficiency of 99.97% at 0.3 μm is the filtration efficiency of a HEPA filter at shipment and should not be confused with the filtration efficiency of the *HEPA +* system. The ability of HEPA filters to remove airborne particulates smaller than 0.3 μm in diameter is unconfirmed.

^{*3} As of September 2014, according to PanaHome research; *HEPA +* is the first such system to ventilate through a HEPA filter—a filter that meets the HEPA standard, which is filtration efficiency of 99.97% at 0.3 μm—to be offered as a standard feature in a prefabricated house in Japan.

2014

April Launches *Vieuno 7*, a prefabricated stainless steel-framed house that can be built up to seven stories; opened three *Vieuno Plaza* sales offices in the Tokyo metropolitan area.

October Begins offering *ECO CORDIS II*, the concept behind which adds wellness to the traditional *ECO CORDIS* commitment to smart living environments.



November Opens *Fujisawa Sustainable Smart Town (Fujisawa SST)* in Fujisawa, Kanagawa Prefecture, a precedent-setting smart town that places a priority on the comfort of residents, regional suitability and forward-looking smart lifestyles, marking a departure from the conventional technology-driven approach to urban development.

November Opens a *Lacine* theme studio in the PanaHome head office with the goal of communicating the appeal of the *Lacine* series of rental apartments, which are designed from a woman's perspective, and with a woman's sensibilities in mind, in line with three key words: "beautiful," "joyful" and "caring"; forms a project team to further reinforce its ability to make attractive proposals in the area of rental apartment management.



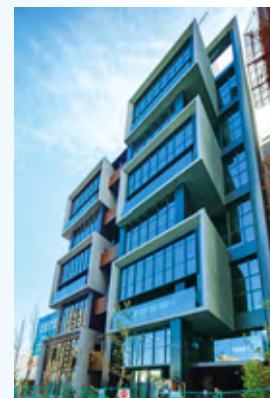
2015

January Steps up collaboration with Panasonic in the area of nursing care services, an increasingly important business area given the rapid aging of Japan's population; integrates its nursing care-related services with those of Panasonic under the name *Age-Free Care* to expand related services and increase name recognition in the nursing care services market.

February Initiates the *Kawai Roman* ("Romantic Kawai") Project in the town of Kawai, Nara Prefecture, to promote the use and sale of existing residential stock; this project also has a social contribution aspect, assisting cities, towns and villages with efforts to combat depopulation and revitalize local communities.

February Receives Special Grand Prize at Japan House of the Year in Energy 2014, which acknowledges houses that achieve excellence in terms of energy savings, in recognition of the *ECO CORDIS* series of detached houses. These houses are mounted with high-capacity solar panels; concurrently earns an Excellent Corporation Prize, a special commendation given to companies having received awards for three or more consecutive years.

March Celebrates the grand opening of *Yù Sǒng Jùn*, a condominium complex in the Xinzhuang district of New Taipei City, Taiwan, marking the completion of the first condominium complex PanaHome was contracted to build in an overseas market.



Special Feature: Key Growth Drivers



Fujisawa

Aerial view of Fujisawa SST

» Fujisawa SST: Innovation and Lasting Value Inspired by Lifestyles

Fujisawa Sustainable Smart Town (Fujisawa SST) is a precedent-setting smart town built by a consortium of companies, including Panasonic, and the city of Fujisawa, Kanagawa Prefecture. Inspired by the idea of smart community lifestyles, the development concept behind this environmentally sound smart community places a priority on the comfort of residents and suitability for the region, thus marking a departure from the conventional technology-driven approach to urban development.

All detached houses in Fujisawa SST are smart houses equipped with solar power generation systems and storage batteries, achieving net zero CO₂ emissions. Two models—one with all-electric appliances and a so-called “double-generation” model with an ENE-FARM home hydrogen fuel cell—are offered, enabling buyers to choose the option that best meets their energy needs. Each house is also equipped with Panasonic’s Smart HEMS home energy management system, which enhances the visibility of energy use and facilitates the control of, for example, its EcoCute heat pump and hot water supply system, ENE-FARM fuel cell and air conditioning units, as a standard feature, as well as an energy creation system linked to the solar power generation system and storage battery.



The Committee Center, an environment-friendly meeting hall that brings residents together (design and supervision: PanaHome)



Power lines have been placed underground to enhance aesthetic appearance, earning positive reviews from customers



Pedestrian-only garden paths, which link streets within the development contribute to safety and provide a place for residents to meet and chat



Smart community solar power generation system provides power to residents in the event of an emergency



Kazuyoshi Kurmagai
Technical Department for Development Services,
PanaHome Corporation
(Member of the Fujisawa SST development team)

We look forward to building on the success of Fujisawa SST to establish smart communities in Japan and overseas.

For both families and individuals, a home is an important prerequisite of an abundant lifestyle. Such homes are the foundation of a community. In designing Fujisawa SST, we were careful to listen to the views of residents while creating a town that brought positive changes to the local area. We look forward to building on the success of this development to establish smart communities across Japan, as well as in overseas markets.



Malaysia

Artist's conception of a completed link house

» Houses Designed Exclusively for the ASEAN Region

We expanded our housing business into the ASEAN region in May 2012, with the establishment of a subsidiary in Malaysia, where the Panasonic brand enjoys a solid reputation among consumers. In March 2013, the new subsidiary, PanaHome Malaysia Sdn. Bhd., built a model detached house in Kuala Lumpur targeting wealthy consumers and began working to secure orders for custom-built detached housing and condominium complexes.

In April 2014, we announced the development of wall-type precast concrete (W-PC) construction*1, a new construction method developed exclusively for Malaysia. The goal of this method, which leverages the collective capabilities of the Panasonic Group, is to offer homes that appeal to middle-class consumers, who account for approximately 70% of the Malaysian market for newly built houses. We subsequently built a prototype W-PC construction link house*2.

With the aim of expanding our housing business in the ASEAN region, in April 2015 we established a regional headquarters in Singapore. Going forward, the new company will guide efforts to grow and diversify our local operations by implementing strategies based on the concept of a single regional market.

*1 W-PC uses precast concrete panels, which are assembled onsite.

*2 Link houses are linear, two-story 10-unit terrace houses and are the most common form of modern housing in Malaysia.



PanaHome's new W-PC construction method, used here in a prototype link house, will facilitate the construction of distinctive houses that feature exceptional heat insulation, ventilation, water resistance and coordinated interior décor



Shigenori Iwazawa
PanaHome Corporation Overseas Business
Division
(Member of the W-PC development team)

We are committed to maintaining the same standards of quality overseas as we do in Japan, and have developed an innovative construction method that makes this possible in the ASEAN market.

Maintaining PanaHome quality in overseas markets necessitates developing construction methods and procedures that are suited to local needs and easily handled by local construction workers. Recently, these efforts led to the development of our new W-PC method, which uses precast concrete panels that are assembled onsite. We will to continue to evolve and enhance this method to facilitate its deployment in other parts of the world.

Corporate Social Responsibility

Environmental Initiatives

People today want to ensure that the houses they live in do not place an undue burden on the environment. As the housing company of the Panasonic Group, we help people achieve this goal by expanding our environmental initiatives and working to reduce our environmental footprint with the aim of building houses that will contribute to a healthy future for our planet and support ecologically sound lifestyles.

In Japan's Environmental Brand Survey*, the results of which were announced on July 8, 2015, we were rated 33rd overall out of 560 companies, underscoring the high marks accorded our environmental initiatives. We were also rated number two overall in terms of companies whose environmental indices had improved since the preceding survey. Our environmental brand image ranked in the top 10—number one in the housing industry—in terms of consumer

perception of it as actively advancing energy savings and promoting energy creation and storage.

* Annual Internet-based survey of consumers conducted by Nikkei BP Consulting, Inc. The 2015 survey was the 16th edition.

Contributing to Environmental Protection through our Business Activities

In addition to responding to various issues that threaten the environment and society, we strive to incorporate our commitment to providing houses that deliver value for customers and for society as a whole, thereby helping to slow the progression of such issues, across all of our businesses. By helping to protect the environment through our operations, we work to remain an entity that is appreciated by customers and inspires pride in our employees and other stakeholders.

Protecting the Environment

Custom-Built Housing




Residential Stock



Urban Development



Overseas



PanaHome's four businesses

PanaHome houses

Enhance environmental performance

✕

Expand market acceptance

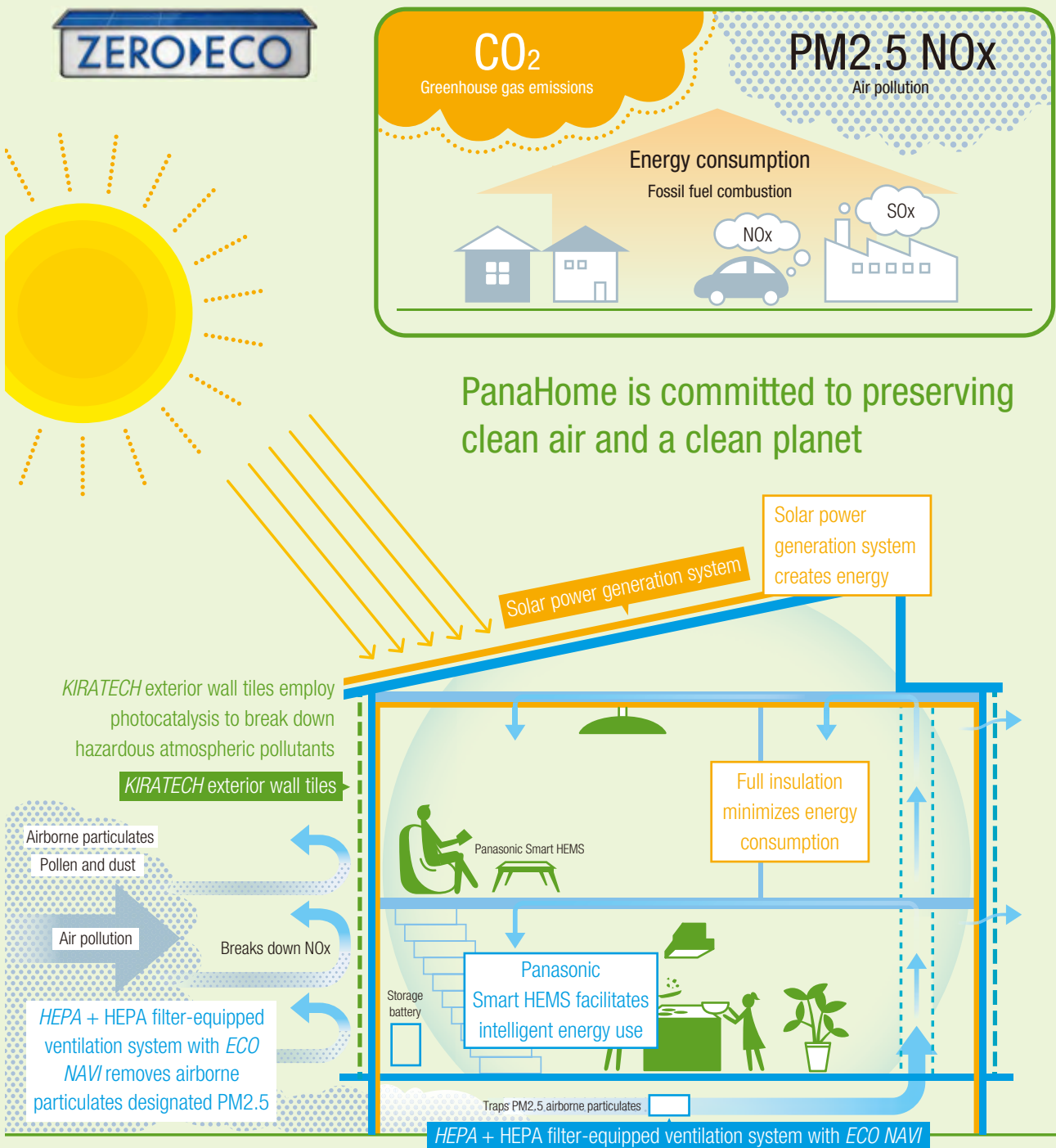
Lowering the environmental impact of building houses

- Reduce CO₂ emissions
- Manage chemical substances
- Recycle resources
- Preserve biodiversity

Contributing to Environmental Protection through our Products

PanaHome houses incorporate a variety of features that help protect the environment by countering global warming and air pollution, both of which are key causes of climate change. These include energy saving and energy creation technologies, filtration systems that remove airborne particulates designated PM2.5 and exterior wall tiles employing photocatalysis. With the objective of helping realize a low-carbon society, we have

established three basic criteria for houses of the future, namely, solar power generation systems, full insulation combined with our HEPA + HEPA filter-equipped ventilation system with ECO NAVI and the Panasonic Group's HEMS, thereby achieving an environmental performance that exceeds the level implicit in the ZEH concept, which we have dubbed "Zero Eco" houses, and will continue working to enhance market acceptance.



PanaHome is committed to preserving clean air and a clean planet

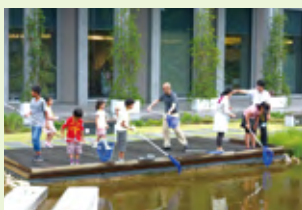
Contributing to Environmental Protection through Key Initiatives

We also promote a broad range of initiatives in line with the Panasonic Group's brand slogan, "A Better Life, A Better World."

• Hands-On Workshops

Tsunagari no Hiroba ("Community Ties Plaza"), a biotope established on the grounds of our head office with the purpose of preserving local ecological networks and a safe gathering place for people in the event of a disaster, recently became involved in the protection and management of endangered species. This initiative includes offering environmental education programs, such as hands-on workshops for local primary school students. These workshops involve the collection and observation of species and are designed to help children learn about the value of life while encountering nature.

At the Senri Home and Lifestyle Information Pavilion, located within our head office building, we offer workshops on measures to enhance the environmental performance of houses and on disaster mitigation measures, with the aim of raising awareness of environmental issues and disaster preparedness.



Children observe nature during their summer vacation



Senri Home and Lifestyle Information Pavilion

• PanaHome Family Forest Events

In October 2014, we held volunteer tree-planting events at our two PanaHome Family Forests, located in Iwate and Gifu prefectures, in which customers were invited to participate. Volunteers planted a total of 8,500 saplings at the two forests during the event.

These forests, which were opened in October 2013, were the result of soliciting suggestions for projects from employees to commemorate the 50th anniversary of our founding. We also promoted an initiative whereby we planted a single sapling at one or the other PanaHome Family Forest for each customer who signed a contract for a newly built house between October 2013 and September 2014,

Both forests are managed as part of the Present Tree project, a reforestation and local development initiative of

nonprofit research institute Environmental Relations, which allows people to donate the planting of commemorative trees.



PanaHome customers participating in a tree-planting event



Planting saplings at a PanaHome Family Forest

Promoting Diversity

With the aim of creating a corporate culture that appreciates various perspectives and encourages respect for different values, we are implementing initiatives aimed at encouraging diversity. To further advance opportunities for female employees, we are taking decisive steps to increase recruiting of female applicants and to expand the range of positions open to women, and continue to see substantial improvements on both fronts. In recognition of these efforts, in fiscal 2011 we received the Osaka Prefectural Labour Bureau's Award for excellence in the promotion of gender equality category of the Ministry of Health, Labour and Welfare's Commendation of Corporations Promoting Gender Equality and Work-Life Balance. Acknowledging the effectiveness of cross-company career support networks for female employees in improving retention rates and enhancing skill development, we also collaborate with other housing companies to organize networking sessions for female employees in sales positions in which current female PanaHome sales office directors serve as role models and mentors, providing career support for female colleagues across the industry. In addition, we actively promote career advancement initiatives for female employees, including specialized training for managers on track for promotion to general manager and director positions and Career Stretch seminars, which prepare employees for appointment to managerial positions.



Lunchtime meeting for working mothers

Female Employees as a Percentage of PanaHome's Total Labor Force

Management-level positions	1.9% (20 individuals)
Permanent employees	15.2% (674 individuals)
New recruits (career track)	29.8% (31 individuals)

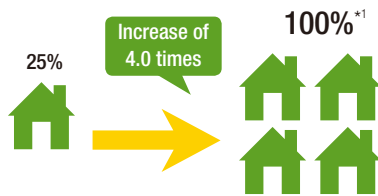
PanaHome in Numbers (Fiscal 2014 Compared With Fiscal 2003)

In fiscal 2003, we issued our Eco-Life Home Declaration and began accelerating efforts to advance environmental management, that is, of growing our businesses in a manner that is compatible with a healthy environment. In the 11 years

since, we have succeeded in improving our environmental performance by reducing our impact on the environment and increasing our role in its conservation.

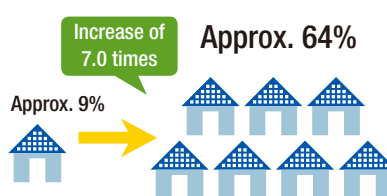
Compliance with Next-Generation Energy Efficiency Standards

Compatible houses as a percentage of total houses supplied



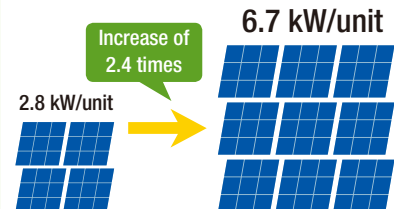
Installation of Solar Power Generation Systems

Percentage of houses with systems installed



Average Capacity of Solar Power Generation Systems Installed

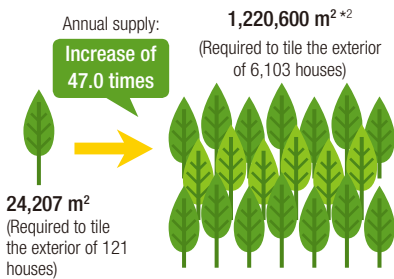
Average capacity of systems installed



KIRATECH Exterior Wall Tiles

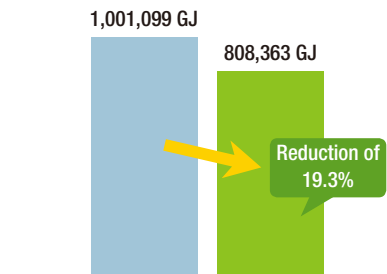
(Tiles that use photocatalysis to remove hazardous pollutants from the air)

(Removal capacity equivalent to that of 80,000 poplar trees)



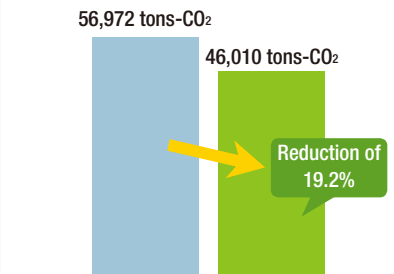
Energy Consumption

(Total energy used in production, transport, construction and by offices and company vehicles)



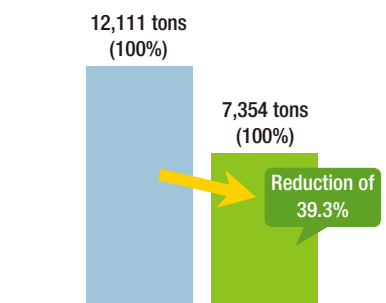
CO₂ Emissions

(Total emissions attributable to production, transport, construction, offices and company vehicles)



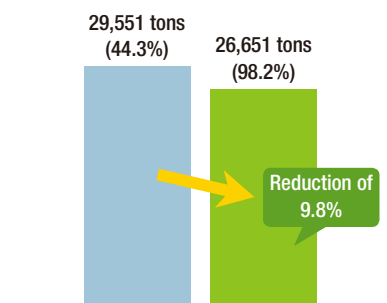
Discharge of Waste (Production)

(Percentage recycled)

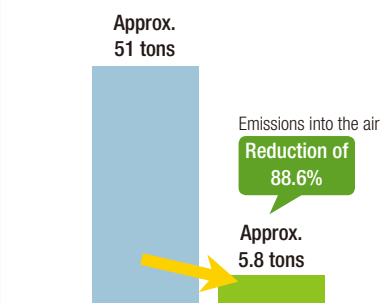


Discharge of Waste (New Construction)

(Percentage recycled)



Emissions of PRTR-Designated Chemical Substances*3



*1 Ministry of Land, Infrastructure, Transport and Tourism assumption for average percentage of total housing stock compliant with next-generation energy efficiency standards: 48%

*2 Assuming 200 m² of tiles are required to tile the exterior of one house, the capacity of KIRATECH tiles used on one house to remove pollutants from the air is equivalent to that of 14 poplar trees.

*3 Chemical substances designated under Japan's Pollution Release and Transfer Register (PRTR)

Corporate Governance

We view the reinforcement of corporate governance as essential to earning society's trust and maximizing corporate value and thus as a key management objective. As such, we have taken decisive steps to strengthen all aspects of our corporate governance system.

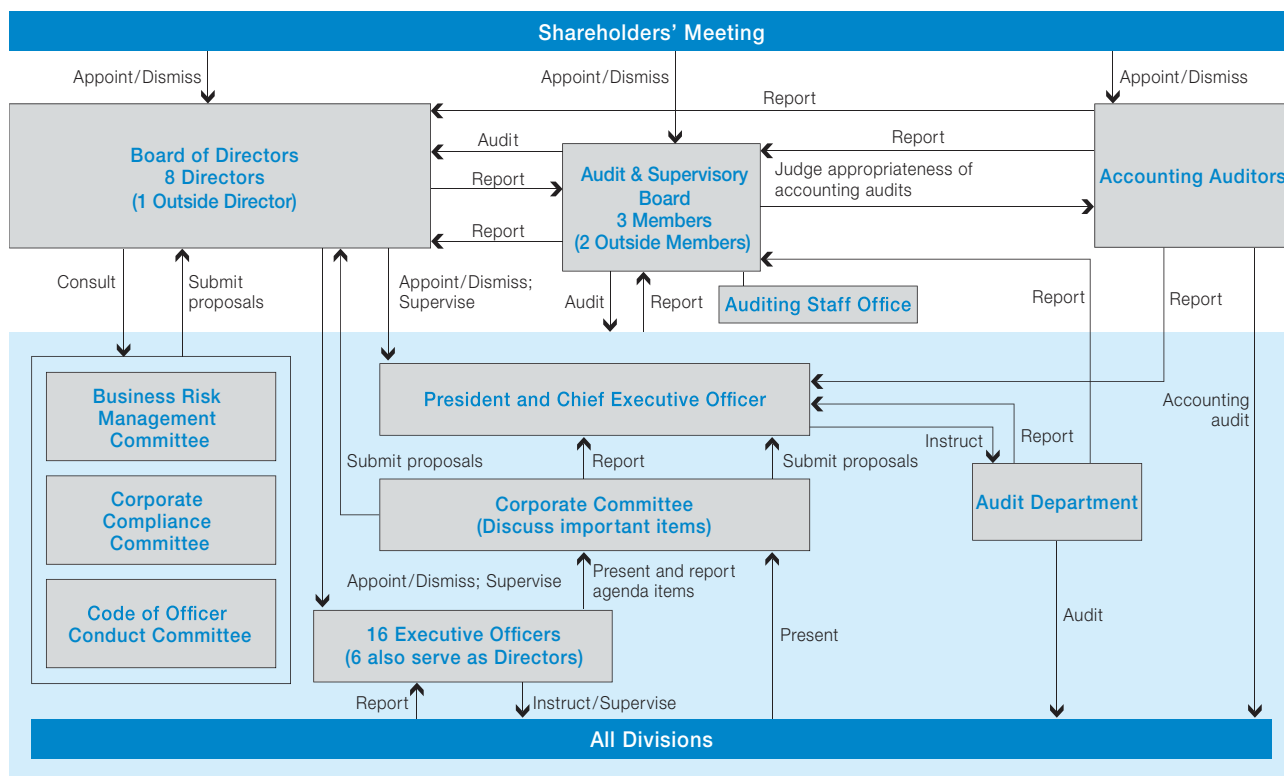
Recognizing its responsibility to represent the interests of and maximize corporate value for shareholders, our Board of Directors assumes ultimate responsibility not only for decision making regarding matters specified under Japan's Companies Act but also for important decisions pertaining to management policies, corporate strategies, the execution of business and setting of targets by executive officers, and oversight of the performance of duties by directors and executive officers. To facilitate both decision making and monitoring, our Board of Directors comprises eight members, including one outside director. Moreover, to clarify responsibilities, the term of each director is limited to one year. The Corporate Decision

Committee and other Companywide committees serve as forums for thorough deliberation pertaining to important matters that must be decided by resolution of the Board of Directors.

As mandated by the Companies Act, we have also established an Audit & Supervisory Board, which comprises three members, two of whom are outside. The Audit & Supervisory Board develops annual auditing plans, in accordance with which Audit & Supervisory Board members attend meetings of the Board of Directors and pertinent committees; are briefed by directors, executive officers, employees and accounting auditors; and inspect principal business sites. This approach ensures the effectiveness of auditing activities.

Corporate Governance Structure

(As of June 24, 2015)



Basic Policy on Internal Control Systems

(1) System for ensuring legal compliance in the performance of duties by directors

Ensure legal compliance in the discharge of duties by directors by assertively promoting awareness of compliance issues, as well as by developing effective corporate governance and monitoring systems.

Status of implementation

- We have ratified the Panasonic Code of Conduct and formulated our own Code of Ethics for Directors and are taking steps to reinforce awareness among directors of the need to conduct themselves in accordance with applicable laws and ordinances and our Articles of Incorporation.
- We strengthen our oversight capabilities by appointing outside directors and, acting through the Board of Directors and other bodies, by providing opportunities for outside directors to actively express their opinions.
- Audits and other procedures are conducted by individual Audit & Supervisory Board members or the Audit & Supervisory Board as a whole.

(2) System for retaining and managing information pertaining to the performance of duties by directors

Properly retain and manage information on the performance of duties by directors in accordance with applicable laws and ordinances and with internal regulations.

Status of implementation

- Minutes are prepared after each meeting of the Board of Directors and retained permanently by the Board of Directors' secretariat. Requests for approval are retained by the department responsible in accordance with rules governing business matters requiring approval by the president.

(3) Rules and system for managing risks that may lead to losses

Formulate rules for risk management and identify material risks by assessing risks with the potential to affect the management of businesses. Take appropriate steps to counter each material risk and monitor the progress thereof with the aim of facilitating continuous improvement.

Status of implementation

- In accordance with our Basic Risk Management Regulations, the Business Risk Management Committee spearheads efforts to identify material risks by collecting and assessing information on risks in an integrated and comprehensive manner and implementing countermeasures that reflect the materiality of each risk thus identified.

(4) System for ensuring efficiency in the performance of duties by directors

Ensure efficiency in the performance of duties by directors by expediting decision making, as well as by clarifying business goals through the formulation of business plans, among others, and verifying progress toward the achievement thereof.

Status of implementation

- We are working to expedite decision making by clarifying procedures for making decisions, applying rules governing business matters requiring approval by the president, separating clearly the roles of directors and executive officers, delegating authority to executive officers in charge and core division general managers, and introducing an IT system that facilitates the swift and accurate collection and transmission of important management information.
- We prepare medium-term overall business plans and plans for individual businesses and, having verified progress toward the achievement of targets when settling accounts each month, propose the implementation of measures therein.

(5) System for ensuring legal compliance in the performance of duties by employees

Enhance employee awareness of compliance issues by clarifying compliance policy. Ensure legal compliance in the performance of duties by employees by establishing an effective monitoring system.

Status of implementation

- In addition to ratifying strictly to the Panasonic Code of Conduct, formulating internal rules and promoting various Companywide initiatives, including our annual Compliance Awareness Month, we provide training tailored to different employee levels and offer web-based education.

- With the aim of promptly detecting wrongful conduct, we conduct internal audits, audits of compliance with construction-related laws and ordinances and information security audits, as well as operate various hotlines.
- We seek to prevent association with antisocial elements by promoting systematic efforts through our Corporate Compliance Committee, which is charged with implementing measures aimed at severing all such associations, and by assigning individuals to oversee preventative measures aimed at blocking unwarranted demands from antisocial elements.

(6) System for ensuring the appropriateness of operations across the PanaHome Group

Respect the management autonomy of PanaHome Group companies, while at the same time securing the appropriateness of operations across the Group by enforcing adherence to our management policy, management philosophy and Basic Policy on Internal Control Systems.

Status of implementation

- We enforce our Basic Policy on Internal Control Systems across the PanaHome Group and ensure that information is transmitted properly to Group companies by adhering strictly to the Panasonic Code of Conduct, formulating Groupwide rules governing professional skills, dispatching directors and Audit & Supervisory Board members to Group companies and exercising our rights as shareholders therein, establishing standards for advance consultations with Group companies, auditing Group companies via our Audit Department, and sharing and disseminating information on objectives and targets through business policy announcements, among others.
- In addition to ensuring the appropriateness of all PanaHome Group operations, this system has enabled us to establish the appropriate internal controls to facilitate financial reporting that complies with Japan's Financial Instruments and Exchange Act.

(7) Matters pertaining to employees who assist Audit & Supervisory Board members and the independence of such employees from directors

Enhance the effectiveness of audits conducted by Audit &

Supervisory Board members by establishing an internal Audit Department that is independent of directors.

Status of implementation

- We have established an Audit Department comprising dedicated auditing staff that is under the direct supervision of the Audit & Supervisory Board and independent of groups involved in the execution of business. Employees assigned to the staff of this department possess capabilities and knowledge that fulfill the requirements of the Audit & Supervisory Board members.

(8) Matters pertaining to ensuring the effectiveness of directions given by Audit & Supervisory Board members to the employees that assist them

Ensure that employees who assist the Audit & Supervisory Board members abide by internal regulations, but are directed and overseen by Audit & Supervisory Board members. Determine personnel-related matters concerning these individuals based on prior consultation with the Audit & Supervisory Board.

Status of implementation

- Our Audit & Supervisory Board members direct our auditing staff, who act accordingly in providing assistance.
- Personnel-related matters concerning auditing staff, including transfers and treatment thereof, are determined based on prior consultation with Audit & Supervisory Board members.

(9) System for PanaHome directors, PanaHome Group company directors, employees and other staff to report to Audit & Supervisory Board members

Ensure opportunities and a framework whereby PanaHome directors, PanaHome Group company directors, employees and other staff can report in an appropriate manner to Audit & Supervisory Board members.

Status of implementation

- Our directors, directors of Group companies, employees and other staff report on operations and related issues at regular briefings held by the Audit & Supervisory Board. Particularly important matters may be reported on at any time.
- For items requiring corporate-level decision making, our directors, employees and other staff report as necessary at other important meetings with Audit & Supervisory Board

members where their attendance has been requested. An electronic voting system enables pertinent individuals to peruse all documentation related to matters upon which decisions must be made.

- We have established an audit report system whereby our employees and other staff and the employees and other staff of Group companies can file reports on suspected irregularities or concerns pertaining to accounting or auditing directly with the Audit & Supervisory Board.

(10) System for ensuring that individuals filing reports with Audit & Supervisory Board members are not treated unfavorably as a result

Take steps to ensure that PanaHome directors, PanaHome Group company directors, employees and other staff who report suspected irregularities or concerns pertaining to accounting or auditing directly to Audit & Supervisory Board members are not treated unfavorably as a result.

Status of implementation

- We demand relevant departments not treat individuals who file such reports unfavorably as a result. Moreover, our audit report system enables individuals to file reports anonymously and prohibits unfavorable treatment of such individuals because of this action.

(11) Policy on the handling of expenses and debts incurred in the performance of duties by Audit & Supervisory Board members

To ensure the effectiveness of audits, prepare an annual budget for expenses likely to be incurred by Audit & Supervisory Board members in the performance of their duties. Provide prepayment or reimbursement of expenses incurred beyond the amounts budgeted in accordance with pertinent laws and ordinances.

Status of implementation

- In line with our audit and supervisory standards, we prepare a preliminary annual budget for expenses likely to be incurred by Audit & Supervisory Board members in the performance of their duties.
- We provide prepayment or reimbursement of expenses incurred in emergency or extraordinary circumstances in accordance with pertinent laws and ordinances.

- In incurring audit-related expenses, Audit & Supervisory Board members are asked to remain mindful of the efficiency and appropriateness thereof.

(12) System for ensuring the effectiveness of audits conducted by Audit & Supervisory Board members

In accordance with annual auditing plans, establish a system to ensure the effectiveness of audits conducted by Audit & Supervisory Board members.

Status of implementation

- To facilitate cooperation among Audit & Supervisory Board members of PanaHome Group companies, we have established the PanaHome Group Audit & Supervisory Board Members' Meeting, which is chaired by senior members.
- Individual departments, business sites, subsidiaries and affiliated companies cooperate to facilitate on-site audits by Audit & Supervisory Board members. Our Audit Department cooperates with the Audit & Supervisory Board members to enhance the effectiveness of the latter's audits, including by reporting as it deems appropriate.

Compliance

As a member of the Panasonic Group, we are guided by a corporate philosophy that emphasizes contributing to society through our business activities. In putting this philosophy into practice, we adhere strictly to the Panasonic Code of Conduct. In addition to designating every October as Compliance Awareness Month, we provide ongoing web-based compliance training for employees. We also conduct annual awareness surveys to reinforce the culture of compliance throughout the Company and ascertain possible areas of difficulty. With the aim of promptly identifying and resolving ethical and legal noncompliance issues, we have installed a corporate ethics hotline, a sexual/power harassment hotline and a system for reporting to the Audit & Supervisory Board members.

To effectively manage risk, the Business Risk Management Committee spearheads an annual risk assessment effort that involves compiling and evaluating risk information for the entire Company in a thorough and integrated manner. Further, we have established a Corporate Compliance Committee, which is charged with rigorously eradicating relationships with antisocial elements, whether individuals or groups.

Business Risks

The businesses and operations of the PanaHome Group involve risks that have the potential to significantly affect the decisions of investors. As of the date of publication of this document, these risks included, but were not limited to, the risks listed below. Forward-looking statements in this document are based on management's assumptions and beliefs in light of information available as of March 31, 2015.

1. Trends in the housing market

Orders may be negatively influenced by changes in external market conditions including, but not limited to, conditions in the job market, fluctuations in land prices, interest rate trends, consumption tax and policies governing housing taxes.

2. Rising prices for raw materials

Sudden sharp increases in prices for materials essential to housing construction, including steel and timber, have the potential to drive procurement prices up.

3. Product quality assurance

The PanaHome Group maintains stringent quality control over the materials, components and fittings it uses in the houses it builds, as well as over all processes related to the development, production, purchasing and construction thereof, using a quality assurance system that has been certified under ISO 9001. Nonetheless, owing to variations in the quality of materials used and in processes, and to the degradation of materials and components over time, it is impossible to entirely rule out the possibility of quality issues.

4. Natural disasters

In the event of a major earthquake, typhoon or other natural disaster, there is a risk the PanaHome Group may incur significant costs for the repair of damage to its own facilities and/or to construction sites, as well as for initial and subsequent customer support, including building inspections and emergency measures. There is also a risk that the time required to repair damaged facilities will force the suspension of production and/or that infrastructure damage may temporarily disrupt supplies of materials and components, thus delaying the completion and delivery of houses.

5. Retirement benefit liabilities

PanaHome and certain of its domestic consolidated subsidiaries maintain external retirement and pension plans for eligible employees. There is a risk that at some point in the future changes in actuarial assumptions and/or the management of pension assets may lead to increases in unrecognized actuarial pension

losses, resulting in higher net periodic pension plan benefit costs.

6. Laws and regulations

The PanaHome Group acquires building permits, real estate business licenses and architectural office registrations in the course of conducting its businesses and complies with laws and regulations pertaining to the environment and recycling. In the event any of these laws or regulations are revised or abolished, or new legal regulations established, or in the unlikely event violations of any of these laws or regulations occurs, there is a risk that it may negatively affect the Group's business activities.

7. Protection of personal information

Due to the nature of its business, the PanaHome Group handles a significant volume of personal information relevant to its customers. Measures to protect personal information are implemented on an ongoing basis throughout the entire Group. However, in the unlikely event of a leak or other problem pertaining to such information, there is a risk of substantial damage to public trust in the Group.

8. Fluctuations in the value of real estate or fixed assets

The business of the PanaHome Group involves the purchase, development and sale of real estate. Accordingly, there is a risk that fluctuations in the value of real estate for sale held by the Group, or of other fixed assets, precipitated by declines in land prices could result in the Group being forced to report losses on impairment or to write down the value of said assets.

9. Overseas business

The PanaHome Group has operations in overseas markets, notably Taiwan and Malaysia. These operations are vulnerable to the impact of sharp increases in inflation, fluctuations in foreign exchange rates, amendments to laws or tax systems, and changing socioeconomic conditions.

Financial Review

Operating Results

Net sales

Despite lackluster sales of newly built houses, owing to a negative rebound following Japan's consumption tax rate hike in April 2014, consolidated net sales in fiscal 2014 rose 0.4%, to ¥325,622 million (US\$2,713 million). This increase reflected robust sales of apartments, attributable to an increase in people seeking to invest in this market, particularly in urban areas, prompted by revisions to Japan's inheritance tax.

Cost of sales and selling, general and administrative expenses

Cost of sales in the period under review increased 1.8%, to ¥252,952 million (US\$2,107 million). Cost of sales as a percentage of net sales rose 1.1 percentage points, to 77.7%. Factors behind this included a decline in gross profit on construction contracts, as demand failed to recover fully, and the impact of a change in the composition of sales.

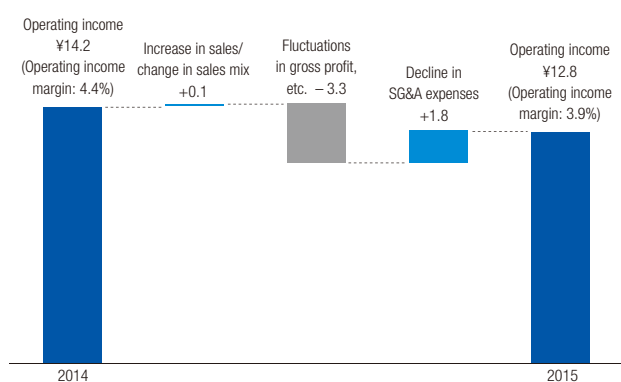
Selling, general and administrative (SG&A) expenses were down 2.8%, to ¥59,910 million (US\$499 million), owing to increased operating efficiency Companywide.

Earnings

A substantial decrease in gross profit—evidence of a decline in the gross margin—overshadowed the positive influence of efforts to boost overall operating efficiency, which reduced fixed costs. As a consequence, operating income declined 10.3%, to ¥12,759 million (US\$106 million). Net income decreased 10.4%, to ¥7,995 million (US\$66 million). Net income per share was ¥47.60 (US\$0.39), down from ¥53.13 in the previous fiscal year.

Factors Behind Change in Operating Income (Year on Year)

(Billions of Yen)



Years ended March 31

Financial Position

As of March 31, 2015, total assets amounted to ¥246,747 million (US\$2,056 million), up 0.4% from the end of fiscal 2013. Total current assets decreased 1.2%, to ¥181,702 million (US\$1,514 million), as real estate for sale in process increased, bolstered by forward-looking investments in land for sale, while costs on uncompleted construction contracts declined, reflecting a decrease in contracts in progress.

Total property, plant and equipment slipped 1.8%, to ¥38,197 million (US\$318 million), owing to a tightening of selection standards, as a result of which investments fell below accumulated depreciation. A 16.6% increase in total of intangible assets and total investments and other assets, to ¥26,847 million (US\$223 million), was primarily attributable to an improvement in pension asset management, as a result of which net defined benefit asset expanded.

Total current liabilities, at ¥93,078 million (US\$775 million), were down 5.0%. This result was due principally to a decrease in advances received on uncompleted construction contracts, also a consequence of the decrease in contracts in progress. Total noncurrent liabilities edged down 1.7%, to ¥18,503 million (US\$154 million), reflecting, among others, a decrease in deferred tax liabilities for land revaluation arising from the sale of land.

Total net assets rose 4.7%, to ¥135,165 million (US\$1,126 million), owing largely to net income for the period and the distribution of earnings for the payment of dividends.

Cash Flows

Net cash provided by operating activities amounted to ¥6,598 million (US\$54 million). Factors behind this result included income before income taxes and minority interests, a decrease in advances received on uncompleted construction contracts, and income taxes paid.

Net cash used in investing activities was ¥2,914 million (US\$24 million). This result was due mainly to outlays for purchase of property, plant and equipment.

Net cash used in financing activities came to ¥3,786 million (US\$31 million), the principal application of which was cash dividends paid.

Operating, investing and financing activities thus resulted in cash and cash equivalents as of March 31, 2015, of ¥62,335 million (US\$519 million), an increase of ¥13 million from the previous fiscal year-end.

Consolidated Balance Sheets

PanaHome Corporation and Consolidated Subsidiaries
March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Assets			
Current assets			
Cash and cash equivalents	¥ 17,876	¥ 17,831	\$ 148,966
Notes receivable, accounts receivable from completed construction contracts and other	5,308	6,630	44,233
Costs on uncompleted construction contracts	6,776	11,893	56,466
Real estate for sale in process	59,292	55,429	494,100
Merchandise and finished goods	845	1,020	7,041
Work in process	42	48	350
Raw materials and supplies	157	150	1,308
Deposit paid in subsidiaries and associates	85,000	85,000	708,333
Deferred tax assets	2,548	2,925	21,233
Other	3,875	3,034	32,291
Allowance for doubtful accounts	(22)	(11)	(183)
Total current assets	181,702	183,954	1,514,183
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	14,433	15,165	120,275
Machinery, equipment and vehicles, net	2,823	2,337	23,525
Land	20,220	20,736	168,500
Lease assets, net	82	85	683
Construction in progress	221	102	1,841
Other, net	416	453	3,466
Total property, plant and equipment	38,197	38,881	318,308
Intangible assets	3,852	3,513	32,100
Investments and other assets			
Investment securities	8,590	8,398	71,583
Long-term loans receivable	1,867	2,176	15,558
Net defined benefit asset	6,101	2,839	50,841
Deferred tax assets	1,656	2,944	13,800
Other	5,124	3,566	42,700
Allowance for doubtful accounts	(345)	(413)	(2,875)
Total investments and other assets	22,995	19,511	191,625
Total noncurrent assets	65,045	61,906	542,041
Total assets	¥246,747	¥245,861	\$2,056,225

Note: The Company prepares its financial accounts in accordance with accounting principles generally accepted in Japan (Japanese GAAP) and discloses financial information in accordance with Japan's Financial Instruments and Exchange Act. Up to and including the fiscal year ended March 31, 2014, figures in the Company's annual report were rounded. However, effective from the fiscal year ended March 31, 2015, the Company adopted truncated presentation for figures in the PanaHome Report, which replaces the annual report, in conformity with Japanese GAAP. Figures for previous fiscal year have been adjusted retroactively to reflect this change.

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liabilities			
Current liabilities			
Notes payable, accounts payable for construction contracts and other	¥ 44,267	¥ 43,813	\$ 368,891
Short-term loans payable	355	94	2,958
Lease obligations	43	35	358
Accrued income taxes	3,242	3,586	27,016
Advances received on uncompleted construction contracts	24,695	31,608	205,791
Provision for bonuses	2,931	2,911	24,425
Provision for warranties for completed construction	1,283	1,393	10,691
Provision for sales rebates	7	6	58
Other	16,251	14,503	135,425
Total current liabilities	93,078	97,953	775,650
Noncurrent liabilities			
Long-term loans payable	613	824	5,108
Lease obligations	45	52	375
Deferred tax liabilities for land revaluation	1,580	1,804	13,166
Net defined benefit liability	7,671	7,517	63,925
Asset retirement obligations	634	637	5,283
Other	7,958	7,990	66,316
Total noncurrent liabilities	18,503	18,827	154,191
Total liabilities	111,582	116,780	929,850
Net assets			
Shareholders' equity			
Capital stock	28,375	28,375	236,458
Capital surplus	31,985	31,985	266,541
Retained earnings	84,578	79,627	704,816
Treasury stock	(332)	(314)	(2,766)
Total shareholders' equity	144,607	139,674	1,205,058
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	401	348	3,341
Revaluation reserve for land	(6,280)	(6,416)	(52,333)
Foreign currency translation adjustments	50	14	416
Remeasurements of defined benefit plans	(3,812)	(4,735)	(31,766)
Total accumulated other comprehensive income	(9,641)	(10,789)	(80,341)
Minority interests	199	195	1,658
Total net assets	135,165	129,080	1,126,375
Total liabilities and net assets	¥246,747	¥245,861	\$2,056,225

Consolidated Statements of Income

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Net sales	¥325,622	¥324,458	\$2,713,516
Cost of sales	252,952	248,568	2,107,933
Gross profit	72,670	75,890	605,583
Selling, general and administrative expenses	59,910	61,667	499,250
Operating income	12,759	14,222	106,325
Non-operating income			
Interest income	236	219	1,966
Dividend income	24	24	200
Equity in earnings of affiliates	105	385	875
Rebate income	70	96	583
Other	237	320	1,975
Total non-operating income	674	1,046	5,616
Non-operating expenses			
Interest expenses	73	83	608
Bad debt expenses	159	—	1,325
Other	198	349	1,650
Total non-operating expenses	430	433	3,583
Ordinary income	13,003	14,834	108,358
Extraordinary income			
Gain on sales of noncurrent assets	68	18	566
Total extraordinary income	68	18	566
Extraordinary losses			
Loss on sales and retirement of noncurrent assets	67	100	558
Impairment loss	97	231	808
Total extraordinary losses	164	332	1,366
Income before income taxes and minority interests	12,907	14,520	107,558
Income taxes—current	4,495	5,410	37,458
Income taxes—deferred	411	176	3,425
Total income taxes	4,906	5,586	40,883
Income before minority interests	8,000	8,933	66,666
Minority interests in income	4	7	33
Net income	¥ 7,995	¥ 8,925	\$ 66,625

Note: The Company prepares its financial accounts in accordance with accounting principles generally accepted in Japan (Japanese GAAP) and discloses financial information in accordance with Japan's Financial Instruments and Exchange Act. Up to and including the fiscal year ended March 31, 2014, figures in the Company's annual report were rounded. However, effective from the fiscal year ended March 31, 2015, the Company adopted truncated presentation for figures in the PanaHome Report, which replaces the annual report, in conformity with Japanese GAAP. Figures for previous fiscal year have been adjusted retroactively to reflect this change.

Consolidated Statements of Comprehensive Income

PanaHome Corporation and Consolidated Subsidiaries

Years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Income before minority interests	¥8,000	¥8,933	\$66,666
Other comprehensive income			
Valuation difference on available-for-sale securities	25	(127)	208
Revaluation reserve for land	165	—	1,375
Foreign currency translation adjustments	36	3	300
Remeasurements of defined benefit plans, net of tax	922	—	7,683
Share of other comprehensive income of entities accounted for using equity method	27	5	225
Total other comprehensive income	1,176	(117)	9,800
Comprehensive income	¥9,177	¥8,815	\$76,475
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of parent	¥9,172	¥8,807	\$76,433
Comprehensive income attributable to minority interests	4	7	33

Note: The Company prepares its financial accounts in accordance with accounting principles generally accepted in Japan (Japanese GAAP) and discloses financial information in accordance with Japan's Financial Instruments and Exchange Act. Up to and including the fiscal year ended March 31, 2014, figures in the Company's annual report were rounded. However, effective from the fiscal year ended March 31, 2015, the Company adopted truncated presentation for figures in the PanaHome Report, which replaces the annual report, in conformity with Japanese GAAP. Figures for previous fiscal year have been adjusted retroactively to reflect this change.

Consolidated Statements of Changes in Net Assets

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

Millions of Yen

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance, April 1, 2013	¥28,375	¥31,984	¥73,338	¥(293)	¥133,405
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	28,375	31,984	73,338	(293)	133,405
Dividends of surplus	—	—	(2,520)	—	(2,520)
Net income	—	—	8,925	—	8,925
Reversal of revaluation reserve for land	—	—	(116)	—	(116)
Purchase of treasury stock	—	—	—	(21)	(21)
Disposal of treasury stock	—	0	—	1	1
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance, March 31, 2014	28,375	31,985	79,627	(314)	139,674
Cumulative effects of changes in accounting policies	—	—	705	—	705
Restated balance	28,375	31,985	80,333	(314)	140,380
Dividends of surplus	—	—	(3,780)	—	(3,780)
Net income	—	—	7,995	—	7,995
Reversal of revaluation reserve for land	—	—	29	—	29
Purchase of treasury stock	—	—	—	(19)	(19)
Disposal of treasury stock	—	0	—	0	1
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance, March 31, 2015	¥28,375	¥31,985	¥84,578	¥(332)	¥144,607

Thousands of U.S. Dollars

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance, March 31, 2014	\$236,458	\$266,541	\$663,558	\$(2,616)	\$1,163,950
Cumulative effects of changes in accounting policies	—	—	5,875	—	5,875
Restated balance	236,458	266,541	669,441	(2,616)	1,169,833
Dividends of surplus	—	—	(31,500)	—	(31,500)
Net income	—	—	66,625	—	66,625
Reversal of revaluation reserve for land	—	—	241	—	241
Purchase of treasury stock	—	—	—	(158)	(158)
Disposal of treasury stock	—	0	—	0	8
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance, March 31, 2015	\$236,458	\$266,541	\$704,816	\$(2,766)	\$1,205,058

Note: The Company prepares its financial accounts in accordance with accounting principles generally accepted in Japan (Japanese GAAP) and discloses financial information in accordance with Japan's Financial Instruments and Exchange Act. Up to and including the fiscal year ended March 31, 2014, figures in the Company's annual report were rounded. However, effective from the fiscal year ended March 31, 2015, the Company adopted truncated presentation for figures in the PanaHome Report, which replaces the annual report, in conformity with Japanese GAAP. Figures for previous fiscal year have been adjusted retroactively to reflect this change.

Millions of Yen

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Balance, April 1, 2013	¥470	¥(6,533)	¥10	¥ —	¥(6,052)	¥187	¥127,540
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	470	(6,533)	10	—	(6,052)	187	127,540
Dividends of surplus	—	—	—	—	—	—	(2,520)
Net income	—	—	—	—	—	—	8,925
Reversal of revaluation reserve for land	—	—	—	—	—	—	(116)
Purchase of treasury stock	—	—	—	—	—	—	(21)
Disposal of treasury stock	—	—	—	—	—	—	1
Net changes of items other than shareholders' equity	(121)	116	3	(4,735)	(4,736)	7	(4,728)
Balance, March 31, 2014	348	(6,416)	14	(4,735)	(10,789)	195	129,080
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	705
Restated balance	348	(6,416)	14	(4,735)	(10,789)	195	129,786
Dividends of surplus	—	—	—	—	—	—	(3,780)
Net income	—	—	—	—	—	—	7,995
Reversal of revaluation reserve for land	—	—	—	—	—	—	29
Purchase of treasury stock	—	—	—	—	—	—	(19)
Disposal of treasury stock	—	—	—	—	—	—	1
Net changes of items other than shareholders' equity	52	136	36	922	1,147	4	1,151
Balance, March 31, 2015	¥401	¥(6,280)	¥50	¥(3,812)	¥(9,641)	¥199	¥135,165

Thousands of U.S. Dollars

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Balance, March 31, 2014	\$2,900	\$(53,466)	\$116	\$(39,458)	\$(89,908)	\$1,625	\$1,075,666
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	5,875
Restated balance	2,900	(53,466)	116	(39,458)	(89,908)	1,625	1,081,550
Dividends of surplus	—	—	—	—	—	—	(31,500)
Net income	—	—	—	—	—	—	66,625
Reversal of revaluation reserve for land	—	—	—	—	—	—	241
Purchase of treasury stock	—	—	—	—	—	—	(158)
Disposal of treasury stock	—	—	—	—	—	—	8
Net changes of items other than shareholders' equity	433	1,133	300	7,683	9,558	33	9,591
Balance, March 31, 2015	\$3,341	\$52,333	\$416	\$(31,766)	\$(80,341)	\$1,658	\$1,126,375

Consolidated Statements of Cash Flows

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 12,907	¥ 14,520	\$ 107,558
Depreciation	3,976	3,967	33,133
Impairment loss	97	231	808
Increase (decrease) in provision for bonuses	19	287	158
Increase (decrease) in provision for retirement benefits	—	2,766	—
Increase (decrease) in net defined benefit liability	(283)	(2,678)	(2,358)
Increase (decrease) in provision for warranties for completed construction	(110)	(220)	(916)
Interest and dividend income	(260)	(243)	(2,166)
Interest expenses	73	83	608
Equity in (earnings) losses of affiliates	(105)	(385)	(875)
Loss on sales and retirement of noncurrent assets	67	100	558
Decrease (increase) in notes and accounts receivable—trade	1,312	(2,569)	10,933
Decrease (increase) in inventories	1,459	(4,897)	12,158
Increase (decrease) in notes and accounts payable—trade	372	7,103	3,100
Increase (decrease) in advances received on uncompleted construction contracts	(6,930)	12,033	(57,750)
Other, net	(1,375)	2,149	(11,458)
Subtotal	11,220	32,248	93,500
Interest and dividend income received	302	272	2,516
Interest expenses paid	(77)	(84)	(641)
Income taxes paid	(4,847)	(5,311)	(40,391)
Net cash provided by operating activities	6,598	27,125	54,983
Cash flows from investing activities			
Payments for time deposits	(1,051)	(1,018)	(8,758)
Proceeds from withdrawal of time deposits	1,020	508	8,500
Purchase of property, plant and equipment	(2,645)	(1,959)	(22,041)
Proceeds from sales of property, plant and equipment	402	146	3,350
Purchase of intangible assets	(868)	(1,014)	(7,233)
Collection of loans receivable	305	398	2,541
Deposit paid in subsidiaries and associates	(80,000)	(75,000)	(666,666)
Withdrawal of deposit paid in subsidiaries and associates	80,000	65,000	666,666
Other, net	(77)	(33)	(641)
Net cash used in investing activities	(2,914)	(12,970)	(24,283)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	258	93	2,150
Repayments of long-term loans payable	(211)	(249)	(1,758)
Purchase of treasury stock	(19)	(21)	(158)
Cash dividends paid	(3,779)	(2,520)	(31,491)
Repayments of finance lease obligations	(36)	(91)	(300)
Other, net	1	1	8
Net cash used in financing activities	(3,786)	(2,788)	(31,550)
Effect of exchange rate change on cash and cash equivalents	116	7	966
Net increase (decrease) in cash and cash equivalents	13	11,373	108
Cash and cash equivalents at the beginning of the period	62,322	50,948	519,350
Cash and cash equivalents at the end of the period	¥ 62,335	¥ 62,322	\$ 519,458

Note: The Company prepares its financial accounts in accordance with accounting principles generally accepted in Japan (Japanese GAAP) and discloses financial information in accordance with Japan's Financial Instruments and Exchange Act. Up to and including the fiscal year ended March 31, 2014, figures in the Company's annual report were rounded. However, effective from the fiscal year ended March 31, 2015, the Company adopted truncated presentation for figures in the PanaHome Report, which replaces the annual report, in conformity with Japanese GAAP. Figures for previous fiscal year have been adjusted retroactively to reflect this change.

Corporate Information

Corporate Data (As of March 31, 2015)

Head Office

1-4, Shinsenrinishimachi 1-chome,
Toyonaka, Osaka 560-8543, Japan
Phone: +81-6-6834-5111
English: www.panahome.jp/english/
Japanese: www.panahome.jp/

Established

July 1, 1963

Stock Exchange Listing

Tokyo

Capital

¥28,375 million

Shares

Authorized 596,409,000 shares
Issued 168,563,533 shares

Number of Shareholders

6,357

Management (As of June 24, 2015)

Directors

President and Chief Executive Officer
Yasuteru Fujii*

Executive Vice President

Makoto Hatakeyama*

Senior Managing Executive Officer

Mitsuhiko Nakata

Managing Executive Officers

Atsushi Hongo
Hideyo Hamatani

Executive Officers

Ryuji Matsushita
Shinichi Watabe

Outside Director

Kazuo Ichijo

* Representative Director

Audit & Supervisory Board Members

Senior Audit & Supervisory Board Member
Kazuo Kitagawa

Outside Audit & Supervisory Board Members

Katsuhiko Arita
Shigemitsu Matsuda

Corporate Executive Officers

Senior Managing Executive Officer
Hiroshi Hirasawa

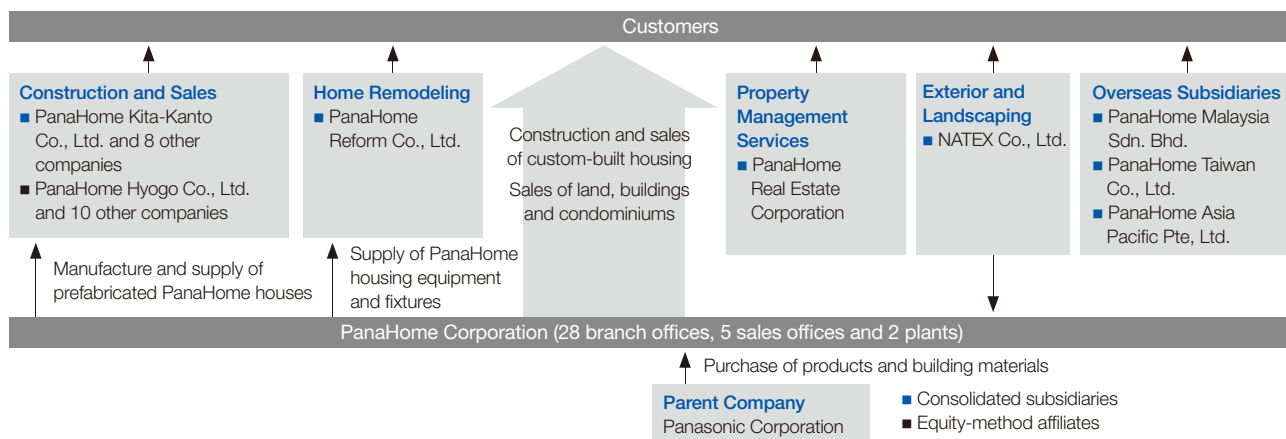
Managing Executive Officers

Tomiharu Yamada
Taku Hirao

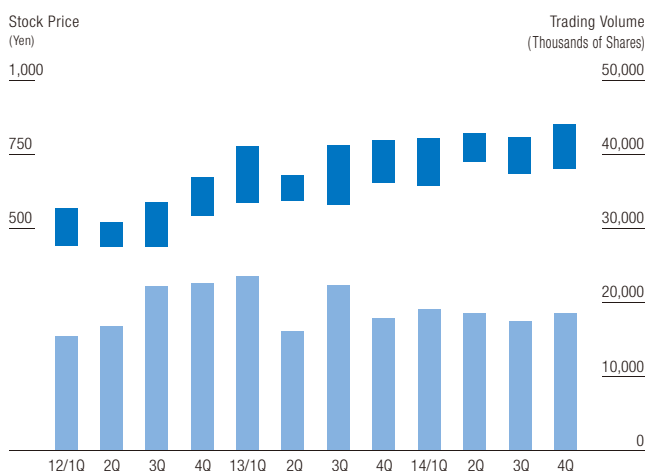
Executive Officers

Hirohiko Nagata
Ryoji Sakata
Kenichi Takahashi
Akihiro Hosoya
Yoshiyuki Takebayashi
Jun Sakurai
Kenji Koyama

Subsidiaries and Affiliates (As of June 30, 2015)



Stock Price Range and Trading Volume (Tokyo Stock Exchange)



Major Shareholders (As of March 31, 2015)

Name	Thousands of Shares Held	Shareholding Ratio (%)
Panasonic Corporation	91,036	54.00
Northern Trust Co. (AVFC) RE-SSD00	3,875	2.29
PanaHome Employee Shareholding Association	3,220	1.91
Japan Trustee Services Bank, Ltd. (Trust account)	2,528	1.49
The Bank of New York Mellon SA/NV 10	2,460	1.45
Sumitomo Mitsui Banking Corporation	2,358	1.39
The Master Trust Bank of Japan, Ltd. (Trust account)	2,327	1.38
RBC ISB A/C Dub non Resident-Treaty Rate	2,050	1.21
Northern Trust Co. (AVFC) RE U.S. Tax Exempted Pension Funds	1,983	1.17
State Street Bank and Trust Company 505001	1,975	1.17

Note: PanaHome holds 580,160 shares of its own common stock.

PanaHome

PanaHome Corporation

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