

PanaHome

PanaHome Report 2016



PanaHome Corporation

For the year ended March 31, 2016

As the housing company of the Panasonic Group, PanaHome Corporation is committed to providing quality from a long-term perspective, giving due consideration for the future of families and the environment.

PanaHome was born of the strong sense of mission of 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. For more than 50 years, we have 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 will be cared for and lived in for 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 and Non-Financial Highlights

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, from 2011 to 2016

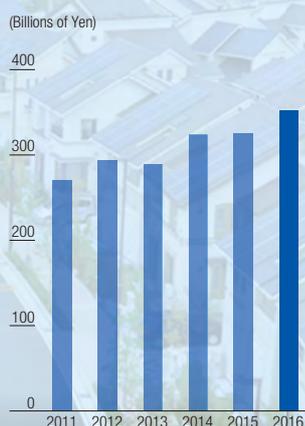
	Millions of Yen						Thousands of U.S. Dollars	
	2011	2012	2013	2014	2015	2016	2016	
Financial Highlights								
Net Sales	¥269,450	¥293,152	¥289,403	¥324,458	¥325,622	¥352,971	\$3,123,637	
Operating Income	7,831	10,666	11,089	14,222	12,759	15,851	140,274	
Income before Income Taxes	6,768	10,692	11,741	14,520	12,907	15,825	140,044	
Net Income Attributable to Owners of Parent	4,325	6,123	7,332	8,925	7,995	10,053	88,964	
Total Assets	205,908	216,734	221,787	245,861	246,747	277,327	2,454,221	
Total Net Assets	119,234	123,010	127,540	129,080	135,165	159,286	1,409,610	
Return on Equity	3.7%	5.1%	5.9%	7.0%	6.1%	7.1%		
Equity Ratio	57.6%	56.4%	57.4%	52.4%	54.7%	53.5%		
Per Share Amounts:								
Net Income	¥25.73	¥36.44	¥43.64	¥53.13	¥47.60	¥59.86	\$0.52	
Cash Dividends	15.00	15.00	15.00	20.00	20.00	20.00	0.17	

Non-Financial Highlights

	Yen						U.S. Dollars	
Number of Employees at Year-End (Persons)	5,093	5,099	5,161	5,218	5,386	5,984		
CO ₂ Emissions (Tons)	48,483	48,849	48,446	49,368	46,010	45,922		

- 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 ¥113 = US\$1, the approximate rate of exchange at March 31, 2016, 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.
4. CO₂ emissions attributable to production, transport, construction, offices and company vehicles

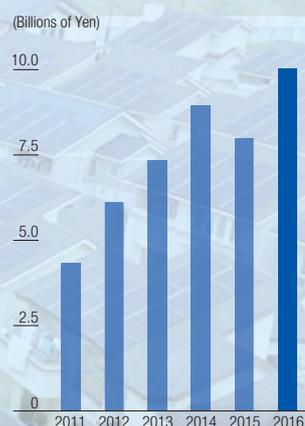
Net Sales



Operating Income / Operating Income Margin



Net Income Attributable to Owners of Parent



Total Assets / Equity Ratio





Helping to enhance quality of life,
as well as to ensure a healthy future
for our planet

Established in 1963, PanaHome traces its roots back to the strong sense of mission of Panasonic founder Konosuke Matsushita, who sought to build quality houses befitting the vital role they play in people's lives. Since then, PanaHome has helped people realize healthy, secure and comfortable lifestyles, driven by its passion for building houses and guided by its firm grasp of what it is that truly makes a house a home.

As always, our first priority is the satisfaction of our customers. Looking ahead, we will continue to leverage our extensive accumulated know-how and technological prowess, as well as that of Panasonic, to help people bring their dream homes to life by creating living environments that nurture comfort and a sense of wellbeing. We will also pursue management practices that build on the collective expertise of our employees and work to earn the trust of our customers, with the aim of being an ever-present part of their lives. Our

focus will remain on accelerating the advance of our core custom-built housing, urban development, residential stock and overseas businesses, long the central targets of growth strategies. By supplying homes that will be cared for and passed on to future generations as valuable assets, we will also redouble efforts to help enhance quality of life, as well as to ensure a healthy future for our planet. In these and all of our efforts, we look forward to the ongoing support of our many stakeholders.

August 2016

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

Ryuji Matsushita,
President and CEO

Report on Achievements Under Our 2013–2015 Medium-Term Business Plan

Consolidated net sales and operating income increased substantially, although operating income fell short of the plan's target

Fiscal 2015 was the final year of our most recent three-year medium-term business plan, the aim of which was to secure growth through efforts to capitalize on business opportunities in our core custom-built housing, urban development, residential stock and overseas businesses. Guided by the plan's strategies, we implemented a variety of issues with a view to achieving the plan's targets for fiscal year 2015, namely, consolidated net sales of ¥340.0 billion, operating income of ¥17.0 billion and an operating margin of 5%.

Custom-Built Housing

We continued to sharpen our competitive edge by launching distinctive products. New additions to our custom-built detached housing portfolio include the *ECO CORDIS* series of smart houses, which boast innovative designs that include roofs actually composed of solar panels, and *Viuno* multistory houses, which can be built up to seven stories, facilitating efficient use of small urban lots and offering an attractive tax shelter for people seeking to reduce their inheritance tax liability. In the area of apartments, we proposed rental apartment complexes based on the "Lacine" concept, which emphasizes the concerns and preferences of women. In housing for seniors, the Panasonic Group integrated related services under the name *Age-Free Care*, strengthening collaboration among Group companies.

Urban Development

We promoted the construction of environment-friendly smart town developments, including our flagship *Fujisawa Sustainable Smart Town (Fujisawa SST)* development, located in the city of Fujisawa, Kanagawa Prefecture, which was built by a consortium of companies, including Panasonic. In the area of condominiums, we proceeded with the construction of *Parknade* smart condominiums, which are

equipped with the Panasonic Group's storage batteries and Mansion Energy Management System (MEMS), focusing on the urban centers of Tokyo, Nagoya and Osaka.

Residential Stock

To create an efficient business model that encompasses everything from proposals through to completion, we spun off our home remodeling business to a subsidiary established for this purpose and reinforced cooperation with Panasonic, positioning us to expand orders for full-scale remodeling services for wooden detached houses and condominiums. We also sought to expand real estate agency services, including by increasing the number of rental houses we manage by locking in demand for the management of existing apartments and houses and diversifying into new areas such as the purchase, renovation and resale of older condominiums.

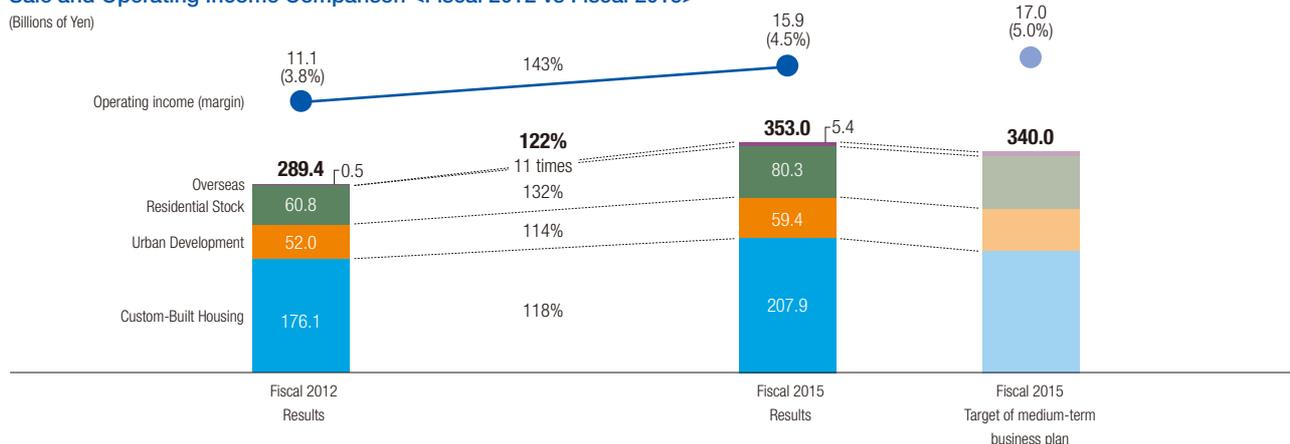
Overseas

We continued to leverage the strength of the Panasonic brand to expand our operations in key overseas markets. Our operations in Taiwan encompass custom-built condominiums and interior design services. In Malaysia, we developed wall-type precast concrete (W-PC) construction, a new construction method, for mid-range link houses, the country's most popular form of modern housing. With the aim of expanding our housing business in Association of Southeast Asian Nation (ASEAN) member countries, we also established a regional headquarters in Singapore.

Thanks to these and other efforts, we reported consolidated net sales of ¥353.0 billion and operating income of ¥15.9 billion in fiscal 2015. While operating income was ¥1.1 billion below our target for the period, both net sales and operating income were significantly higher than in fiscal 2012, the year before we launched our recently concluded medium-term business plan.

Sale and Operating Income Comparison <Fiscal 2012 vs Fiscal 2015>

(Billions of Yen)



Initiatives in Fiscal 2016

In fiscal 2016, we will promote advance investments with the goal of expanding our businesses and securing profitability.

Custom-Built Housing

We will continue working to create lifestyle value with the goal of realizing asset value that grows over the years.

In the area of low-rise custom-built detached houses, we will step up efforts to provide “Zero Eco”^{*} houses and to expand sales of houses designed for affluent consumers. For first-time buyers, we will continue to market *CASART* houses, which qualify for the “zero-energy house (ZEH)” designation, thereby delivering comfortable living environments that will last into the future. For affluent consumers, we will promote *CASART Excellence* houses, which offer superior living environments, and also establish a display center for high-end wooden homes, with the aim of enhancing the PanaHome brand image among customers in this market segment. On another front, we will continue to capitalize on the appeal of our *HEPA + HEPA* filter-equipped ventilation system with *ECO-NAVI*, which removes airborne particulates, and efforts to minimize volatile organic compounds (VOCs), thereby ensuring superb indoor air quality.

In multistory custom-built detached houses, we will bolster our share of the market for mid-range three-story houses, the most popular type of multistory house in Japan. Our lineup for this market centers on *Vieuno 3s*, which features a light stainless steel frame, facilitating attractive pricing, the accommodation of diverse lot sizes and shapes, and earthquake-resistant construction. We will also work to enhance the appeal of multistory houses with four or more stories, a market segment in which we already enjoy a competitive

edge, by broadening our lineup of models that incorporate commercial space, and will expand our network of *Vieuno Plaza* sales offices.

In the area of apartments, we will establish a distinctive, robust business model centered on the *Lacine* concept, which seeks to realize asset value for owners and lifestyle value for occupants, by increasing construction of model rooms. To cultivate demand in urban centers, where the impact of recent revisions to Japan’s inheritance tax are particularly high, we will reinforce sales of three-story houses featuring value-added features that attract potential tenants, including shared indoor hallways and floors with improved noise absorption.

Efforts in the area of housing for seniors will focus on maximizing synergies with other Panasonic Group companies. By effectively matching landowners and facility operators with compatible needs, we will create a business model that makes it possible for the Panasonic Group to offer comprehensive services encompassing everything from the provision of real estate information and land development services through to the operation of facilities.

^{*} “Zero Eco” houses are houses equipped with a solar power generating system and storage battery, full insulation, our *HEPA+ HEPA* filter-equipped ventilation system with *ECO-NAVI* and the Panasonic Group’s Smart Home Energy Management System (HEMS).



New CASART



Vieuno 3s



Ficasa 3

Urban Development

Promoting sustainable growth in asset value will remain a priority in the development of both smart town developments and smart condominiums.

In the area of smart town developments, we will expand our geographic reach to build environment-friendly smart communities across Japan. We will also cultivate demand for mid-range built-for-sale wooden houses in suburban areas. In smart condominiums, we will take decisive steps to grow the *Parknade* brand, capitalizing on state-of-the-art Panasonic Group equipment and energy technologies to propose smart lifestyles.



Parknade Kyodo

Additionally, to ensure the stable growth of our property development business we will look to secure attractive, suitable

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

Residential Stock

Our efforts will continue to center on Panasonic Home Renovation as we work to grow our residential stock business into a second pillar of growth.

In April 2016, we changed the name of our core subsidiary in this business to Panasonic Home Renovation Co., Ltd., reinforcing awareness of the Panasonic Group as a provider of comprehensive services. We will continue to advance various efforts in this area, including actively expanding our network of sales offices, reinforcing sales and design capabilities, and undertaking ambitious television advertising to enhance the brand's ability to draw customers. In the area of real estate brokerage services, we will seek to increase the number of houses we manage by fortifying our capabilities in key urban centers. We will also move resolutely to fortify our real estate agency business,

including making use of SumStock* and stepping up the purchase, renovation and resale of older condominiums.

* Term coined by the Provision of Quality Housing Stock Association—of which PanaHome is a member—to designate quality housing stock that satisfies established standards



Sales office of Panasonic Home Renovation Co., Ltd.

Overseas

We will expand our presence in overseas markets through the integrated provision of skeleton-infill housing.

In Taiwan, we will seek to secure new contracts by promoting the provision of skeleton and infill* for custom-built condominiums under construction. In Malaysia, we will collaborate with local developer MHK Berhad to facilitate our full-scale entry into the local urban development market. Independently, we will build approximately 500 houses (W-PC construction, developed for the ASEAN region) and 300 condominium units in Malaysia. Elsewhere in the ASEAN region, we will explore the possibility of working with a local developer in Indonesia with a view to entering the local property development market.

* The skeleton-infill method divides the structural framework (skeleton) and interior and equipment (infill), improving design efficiency.



Model room in condominium complex in Taiwan



Returns to Shareholders

Our policy is to maintain consistent, stable growth in dividends and aim for a payout ratio of between 30% and 40%.

As of March 31, 2016, net cash stood at ¥125.4 billion, an increase of ¥23.5 billion from the previous fiscal year. Looking ahead, we intend to apply cash to capital cost-aware investments in Japan and overseas aimed at achieving sustainable, efficient growth, including the purchase of land and buildings and the formation of capital alliances.

Effective from fiscal 2016, we adopted a new policy

regarding the payment of dividends. Whereas before our focus was on ensuring stable dividends, our new policy emphasizes ensuring that dividends are commensurate with our consolidated operating results. Going forward, we will continue working to bolster income per share through strategic investments in growth businesses and will aim to maintain consistent and stable growth in dividends, with a payout ratio of between 30% and 40%.

PanaHome at a Glance

Custom-Built Housing



Overseas



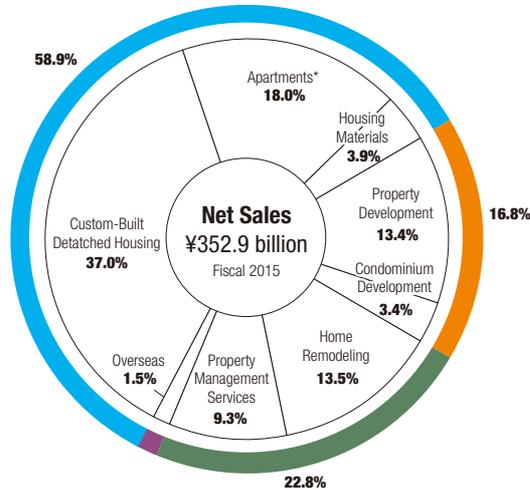
Urban Development



Residential Stock



Sales Breakdown by Business Category

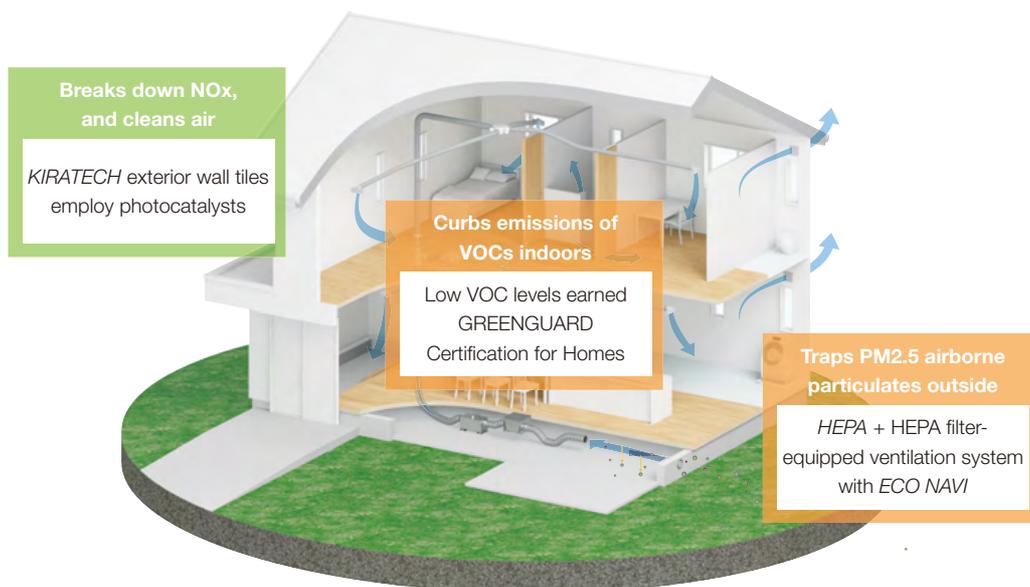


*Comprises rental apartments and medical and nursing care facilities

Clean Air at Home: Achieving Dramatically Improved Air Quality

Clean air is more important than even water or food to human survival. Indoor air quality can be compromised by, among others, airborne particulates designated PM2.5*, which can trigger respiratory issues, and volatile organic compounds (VOCs), a principal cause of sick house syndrome. PanaHome installs ventilation systems and high-performance exterior wall tiles that remove contaminants, thus ensuring indoor and outdoor air quality that is healthy for occupants and environment-friendly.

* PM2.5 designates fine airborne particles, i.e., particles with a diameter of 2.5 μm or less (1 μm = one thousandth of one millimeter).



2015

April

A three-company consortium in which we are participating completed a model block for *Sakimachi Arai Minami Sustainable Town*, a new smart town development being built as part of the Disaster Prevention Collective Relocation Project, a major project being undertaken as part of reconstruction efforts by the city of Sendai, Miyagi Prefecture, which was severely damaged by the Great East Japan Earthquake. Designed as a sustainable smart town, the development deploys state-of-the-art technologies to offer next-generation housing, primarily smart houses, and makes shrewd use of natural energy.



April

In response to rising demand for houses that combine residences with commercial space, we commenced sales of *Vieuno PRO*, a new model in the *Vieuno* series of multistory detached houses. *Vieuno PRO* features a layout optimized for use by tenants, including retailers and offices, as well as tall ceilings. We also opened a *Vieuno PRO* model home, which is Japan's first* six-story model home, in Tokyo's Shinjuku housing display center.



* Based on PanaHome data as of April 2014

July

Units in *Parkanade Meguro Current* in Tokyo's Meguro district, sales of which were brisk since launch, sold out after only four months on the market. Chosen as a "Model Project for Promoting CO₂ Reduction in Housing" by the Ministry of Land, Infrastructure, Transport and



Tourism, *Parkanade Meguro Current* features units equipped with storage batteries, MEMS and other advanced technologies, thereby achieving an excellent environmental performance.

September

Construction is completed on *Age-Free Care House Kawasaki-Noborito* in Kanagawa Prefecture and *Age-Free Care House Takarazuka-Nakayama* in Hyogo Prefecture, nursing care facilities that bring together the diverse nursing care services of the Panasonic Group. We will continue to step up efforts to apply our expertise in creating homes in the area of nursing care.



November

We opened *Vieuno Plaza Kobe Motomachi*, in Chuo-ku, Kobe, our first *Vieuno Plaza* sales office in the Kansai region and our seventh overall. These sales offices enable customers to experience the appeal of *Vieuno* multistory detached houses for urban settings, which benefit from the flexibility of heavy-gauge stainless steel framing. We established five such offices in fiscal 2015, bringing our total to eight nationwide.



2016

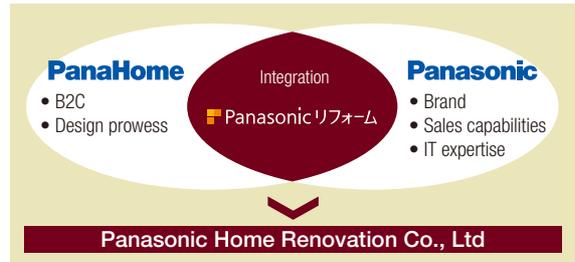
March

The *Kawai Roman* ("Romantic Kawai") Project, in Nishi-Yamato New Town, Nara Prefecture, was honored with a top Japan Resilience Award for 2016, bestowed by the Association for Resilience Japan, which recognizes advanced initiatives aimed at building resilience against natural disasters. In making the award, the association gave high marks to the project's efforts to promote the use and sale of existing residential stock to drive urban renewal.

HOME REMODELING BUSINESS

Combining know-how in creating homes and advanced technologies to expand our home remodeling business

The market for residential stock in Japan is expected to see significant growth in the years ahead, with competition particularly intense for home remodeling services. With both Panasonic and PanaHome recognizing the need to marshal the collective capabilities of the Panasonic Group to reinforce our position in this critical area, Panasonic invested in our remodeling services subsidiary, PanaHome Reform Co., Ltd., and the company's name was changed to Panasonic Home Renovation Co., Ltd. Going forward, we will continue to leverage our know-how in creating homes and Panasonic's technologies in the areas of household electronics and housing fixtures—essential to modern lifestyles—to realize comfortable living environments with a distinctively Panasonic Group flair, bringing together unique capabilities with the aim of creating new value, expanding our market share and further growing this promising business.



Strategies

Encourage customers to turn to Panasonic for their remodeling needs



The Panasonic Group's remodeling-related businesses have been unified under the Panasonic Reform brand. Having introduced a new corporate identity program and wine-red Panasonic Reform corporate logo, advertising and sales promotions will be integrated under the Panasonic Group name. This will facilitate extensive exposure nationwide, encouraging customers to turn to Panasonic for their remodeling needs.

Enhance opportunities for interaction with customers



Our remodeling services sales offices have been rebranded under the name "Panasonic Reform Shop" with the goal of creating a network encompassing a variety of styles, from local offices with an inviting atmosphere that puts customers at ease to urban offices that people can drop by when they are out shopping. In fiscal 2016, we aim to add 50 new offices, bringing our network to 70.

Reinforce distinctively Panasonic proposal development capabilities



We will draw on Panasonic's exceptional ability to combine light, air and imaging technologies to create refined residential spaces to develop new living environment packages and innovative building materials. We will also take steps, including providing training and shifting design personnel, to enhance the capabilities of individuals in design-related areas and increase their numbers, while at the same time working to reinforce our ability to develop proposals incorporating distinctively Panasonic information and augmented reality technologies.

Recent Highlights



Renovated condominium



Renovated condominium



Renovated older traditional Japanese home



Renovated wooden detached house

OVERSEAS BUSINESS

Capitalizing on solid economic growth and consumer strength to expand operations in Taiwan and ASEAN member countries

With contracts for the construction of condominium complexes on a growth trajectory, we are expanding the scope of our real estate development business in Taiwan. In Malaysia, we continue to promote the construction of condominiums. In addition, we are reinforcing efforts to market homes tailored to the preferences of middle-class consumers by using our proprietary W-PC construction method, which offers a relatively short construction period, to build prefabricated link houses with excellent ventilation systems and other features that enhance comfort and superb watertightness, reinforcing efforts to market homes tailored to the preferences of middle-class consumers, and as well as advancing the establishment of a smart town development together with a local developer. With the aim of accelerating the expansion of our overseas business, we continue to collaborate with local developers, anchored by recently established regional headquarters PanaHome Asia Pacific Pte. Ltd., in Singapore, to secure orders and establish a construction configuration that reflects local sensibilities.

Operations in Malaysia

Develop housing that appeals to middle-class consumers



Artist's conception of Maple @ Hillpark Shah Alam North smart town development (490 units)



Artist's conception of Saville @ D'Lake Puchong high-rise condominium (305 units)

In December 2015, we established PanaHome MHK Malaysia Sdn. Bhd., a joint venture with local developer MHK Berhad, to enhance our ability to secure contracts in the Malaysian urban development market. The new company is working with MHK to provide both custom-built detached houses and skeleton and infill for condominiums, leveraging expertise accumulated over many years by PanaHome in Japan to provide homes that incorporate design features, including layouts and flows that make housework easier, as well as the PURETECH ventilation system. The company commenced sales of units under development in April 2016.

Target wealthy consumers



Artist's conception of a PanaHome Malaysia semi-detached house for Cheria Residences

W-PC construction link houses that were built by PanaHome Malaysia for Cheria Residences, part of Tropicana Aman, a town under development by Sapphire Index Sdn. Bhd.—a wholly owned subsidiary of local property developer Tropicana Corporation Berhad—earned high marks for a short construction period and Japanese technologies that facilitated superb watertightness and stable quality. Recently, PanaHome Malaysia also received an order to build 272 capacious (297 m²) semi-detached homes targeted at wealthy consumers for Cheria Residences.

Recent Highlights



We completed a condominium complex in Xinzhuang, Taiwan, the first condominium complex we were contracted to build overseas.



In Taiwan, we received an award for excellence in construction quality for a condominium complex on Taipei's Roosevelt Road.



In Malaysia, we developed W-PC construction, a new construction method tailored to the local climate and culture.



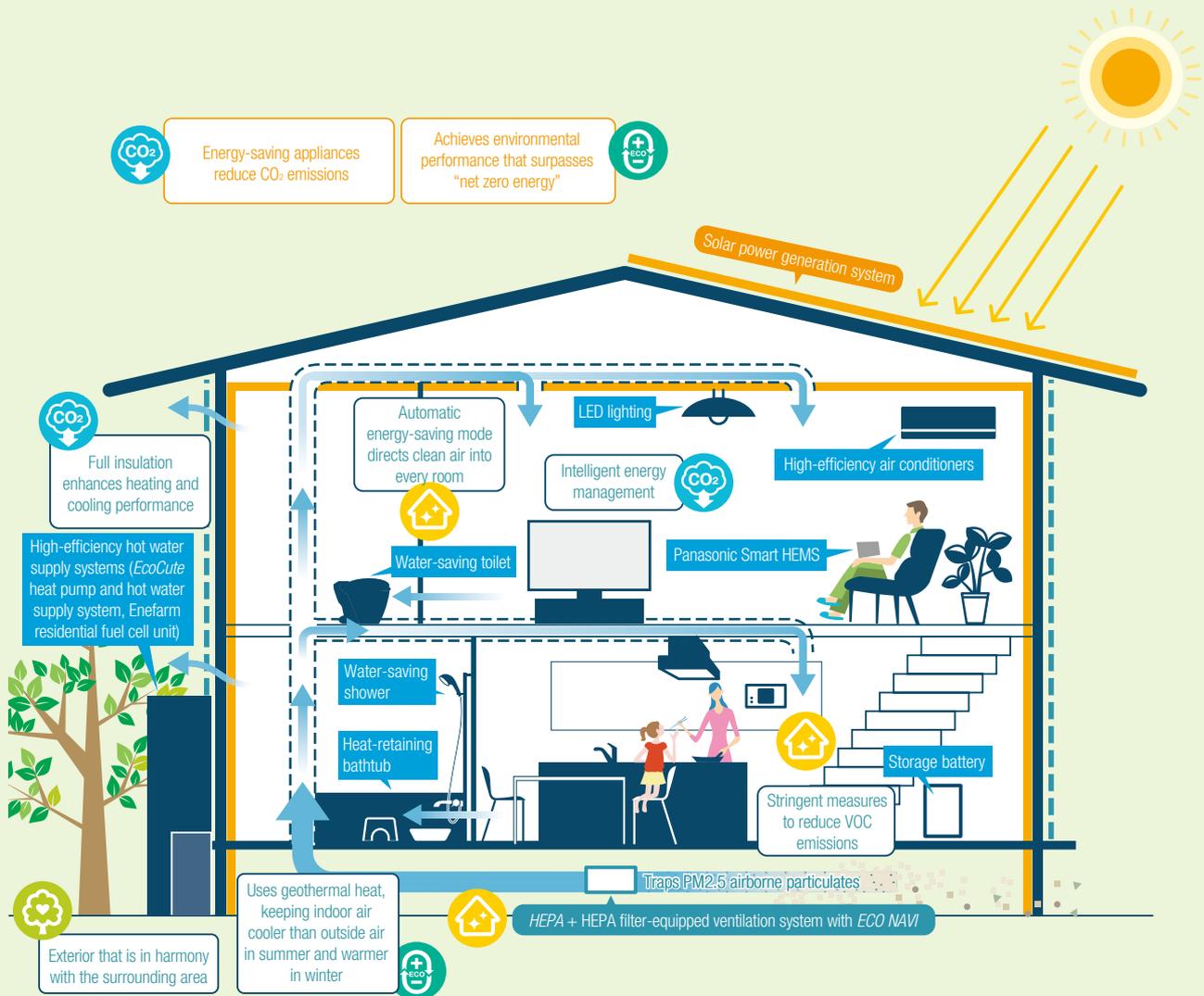
Work continues on a high-rise condominium complex in Sentul, Kuala Lumpur (28 floors, 500 units)

Contributing to Environmental Protection through Our Products

Creating environment-friendly houses that deliver lasting value

We continue to capitalize on the advanced technologies of the Panasonic Group to realize houses that satisfy what we view as the three basic criteria for houses of the future, namely, a solar power generation system with a storage battery, which creates and uses energy from the bounty of nature; full insulation combined with our *HEPA* + *HEPA* filter-equipped

ventilation system with *ECO NAVI*, which maximizes energy; and *HEMS*, which manages energy, to which we have added *Private Viera*, a controller for residential use. These houses thus achieve an outstanding balance between environmental and economic performance.

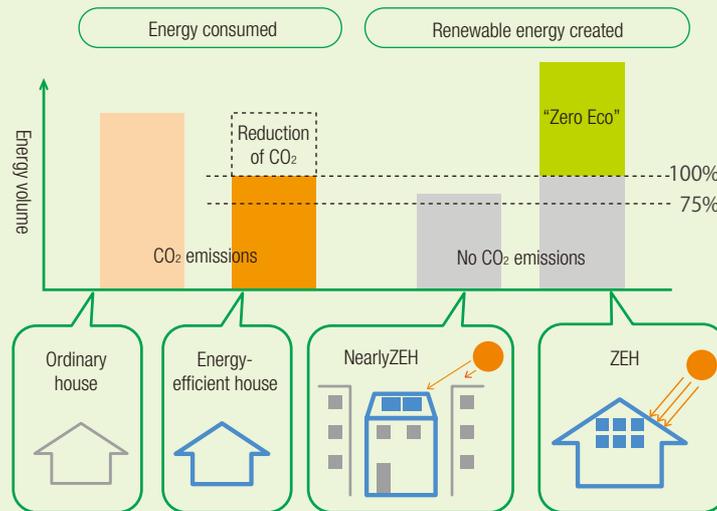


Promoting the ZEH Concept

Realizing energy self-sufficiency by advancing energy savings and creating and storing energy in amounts that exceed energy used

Reducing emissions of CO₂ from houses is crucial to curbing global warming, a key cause of climate change. At the same time, ensuring adequate stores of energy to withstand the impact of natural disasters is also critical. In response to both of these concerns, we offer “Zero Eco” houses, which are

houses that achieve an energy performance in excess of the level implicit in the “zero-energy house (ZEH)” concept—in other words, houses create more energy than they use. We view “Zero Eco” houses as the standard for houses of the future.



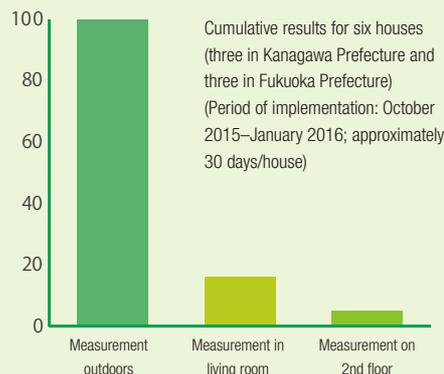
Committed to Air Quality

Effectiveness of original ventilation system that removes PM_{2.5} particulates and curbs emissions of VOCs is confirmed through joint research and third-party verification

We recently participated in a joint industrial–academic research project aimed at improving the air filtering performance of residential ventilation systems with Professor Hiroyoshi Inoue of Keio University School of Medicine’s Department of Chemistry. Measurements of concentrations of airborne particulates designated PM_{2.5}* in six PanaHome houses conducted as part of this project revealed that indoor

concentrations were between 5% and 16% lower than outside the houses. Also, in March 2016 total VOC levels in New CASART houses were verified to be below standard levels by UL Japan, a subsidiary of U.S. independent safety science organization UL LLC based in the state of Illinois, and earned certification under the company’s GREENGUARD Certification for Homes, which verifies the quality of air inside houses.

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



GREENGUARD certification, which verifies that VOC levels within the house are below standard levels

Contributing to Environmental Protection through Our Business Activities

As a member of the Panasonic Group, we are promoting diverse initiatives in line with the Group's brand slogan, "A Better Life, A Better World."

Reducing CO₂ Emissions

Decreasing our environmental impact through efforts to save energy and increase production efficiency

Having formulated a plan and set a target for reducing our impact on the environment, we are working to enhance processes for managing the manufacture of houses that extend across our entire supply chain. In fiscal 2015, our head office plant, which is located in Higashiomi, Shiga Prefecture, was honored with a Shiga Prefecture Low-Carbon Society Creation Award in the Corporate Action Plans and Systems category in recognition of "reduced CO₂ emissions" and "productivity improvements achieved through the reduction of loss and Kaizen initiatives."



Award ceremony

Promoting EcoCycle

EcoCycle is a program under which we continually reassess our quality and environmental management systems with the aim of enhancing both the quality of PanaHome houses and our environmental initiatives.

In March 2011, our integrated Companywide quality management system gained certification under ISO 9001 and ISO 14001, the International Organization for Standardization's standard for, respectively, quality management and environmental management systems. In fiscal 2015, we were honored with the Director-General for Commerce, Distribution and Industrial Safety Policy's Award in the Ninth Best Contributors to Product Safety Awards, in acknowledgement of our efforts to ensure the safety of PanaHome houses and apartments. This is the second time for us to receive this award, which is given by the Ministry of Economy, Trade and Industry (METI), having previously won in fiscal 2012. Also in fiscal 2015, we obtained certification under newly revised ISO 9001 and ISO 14001 standards.



grounds of our head office. In fiscal 2015, these initiatives were recognized with an award for Designs to Develop the Creativity of and Create the Future of Children in the category of Children's Potential for Learning and Understanding in the Ninth Kids Design Awards.

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. Under an action plan formulated in line with Japan's Act to Advance Women's Success in their Working Life, which was enacted in 2015, we are targeting an annual average for women as a percentage of employees hired for career-track positions of 35% or higher and an increase in female employees in management-level positions of 10 or more over the three years ending March 31, 2019.

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.

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

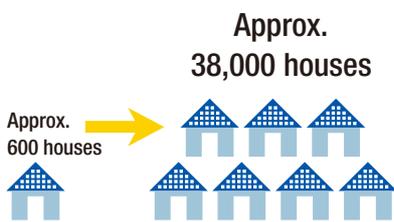
Management-level positions	2.2% (21 individuals)
Permanent employees	17.6% (732 individuals)
New recruits (career-track positions)	40.9% (59 individuals) (clerical positions: 33.0%, technical positions: 50.7%)

PanaHome in Numbers (Fiscal 2015 Compared with Fiscal 2003)

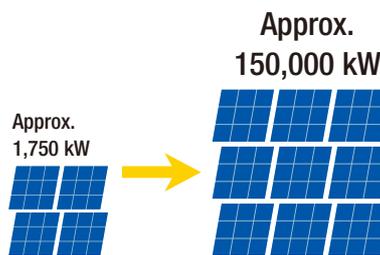
In fiscal 2003, we issued our Eco-Life Home Declaration and began accelerating efforts to advance environmental management, that is, of growing our businesses in a manner that is compatible with a healthy environment. In the 12 years

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

Cumulative Number of Houses with Solar Power Generation Systems Installed

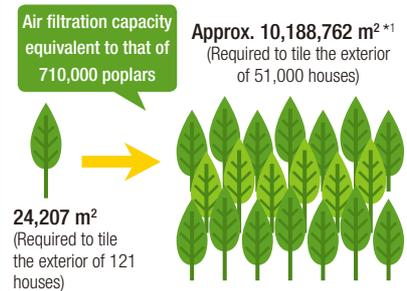


Cumulative Capacity of Solar Power Generation Systems Installed



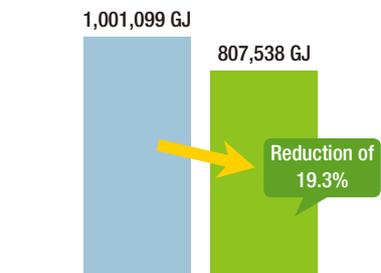
Cumulative Volume of KIRATECH Exterior Wall Tiles Supplied

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



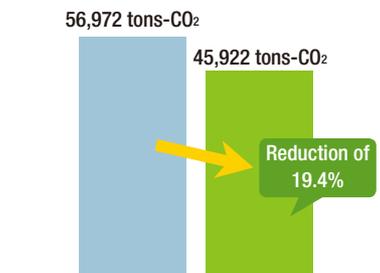
Energy Consumption

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



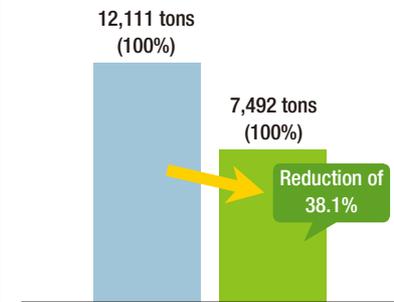
CO₂ Emissions

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



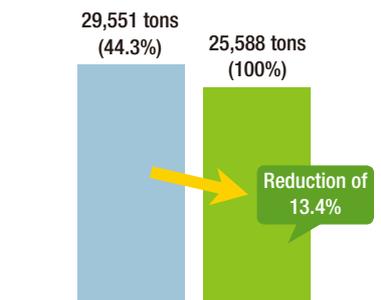
Discharge of Waste (Production)

(Percentage recycled)

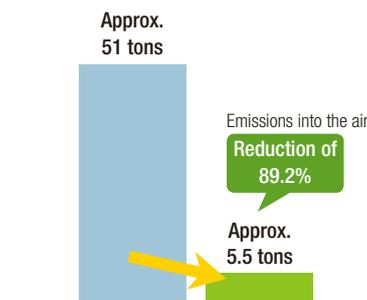


Discharge of Waste (New Construction)

(Percentage recycled)



Emissions of PRTR-Designated Chemical Substances*2



*1 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.

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

Corporate Governance

Since our establishment, we have sought to help people bring their dream homes to life, earning the satisfaction of our customers and offering houses that will be cared for and lived in for generations, in line with our business philosophy of contributing to the progress and development of society and the well-being of people worldwide through our business activities. We also believe in the importance of increasing corporate value by improving accountability through dialogue with stakeholders, including shareholders and customers, ensuring the transparency of our operations, and acting fairly and with integrity, based on our basic belief that a company is a public entity of society.

Recognizing corporate governance as crucial to achieving these goals, we have established and continue working to strengthen our corporate governance structure, which centers on our Board of Directors and our Audit & Supervisory Board.

Outline of Current Corporate Governance Configuration

Business Execution and Oversight

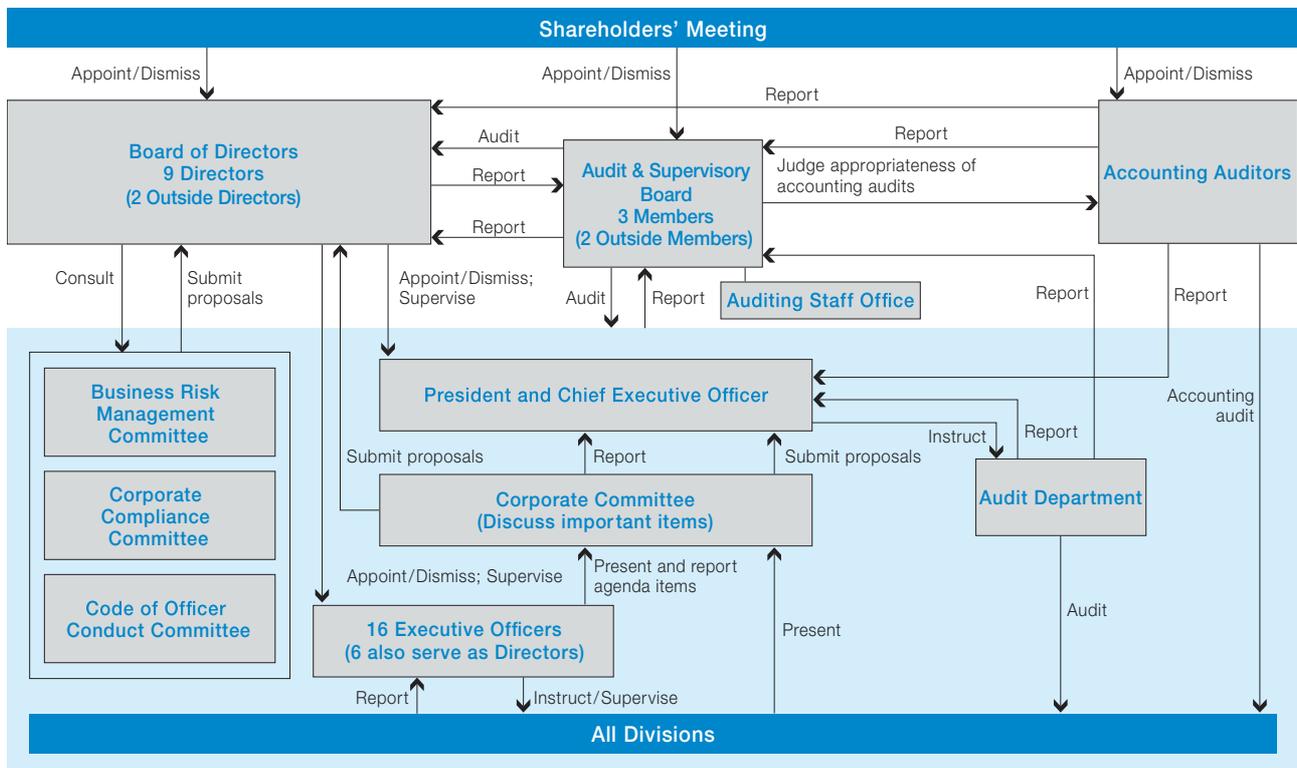
We have instituted an executive officer system, whereby responsibility for business execution is delegated to executive officers. As of June 23, 2016, we had 16 executive officers, six of whom concurrently serve as directors. We have also created a corporate governance structure wherein management-related decision making and oversight is vested with the Board of Directors, thereby clarifying directors' responsibilities.

Decision Making

Decision making is conducted by the Board of Directors in accordance with internal procedures. To facilitate appropriate and accurate decision making by the Board, we have also established function-specific committees and teams within principal divisions. As of June 23, 2016, the meeting structure of these committees was as follows:

Corporate Governance Structure

(As of June 23, 2016)



- **Corporate Decision Committee**

This committee meets monthly. Meetings are attended by directors; pertinent executive officers in charge of departments, divisions and business units; and Audit & Supervisory Board members (as observers). Participants deliberate issues related to timely disclosure, as well as make decisions on practical matters related to the basic management policy and management strategies.

- **Management Review Committee**

This committee meets monthly. Meetings are attended by directors; executive officers in charge of departments, divisions and business units; pertinent councilors; pertinent department general managers; and Audit & Supervisory Board members (as observers). Participants deliberate efforts to reinforce awareness of the basic management policy, formulate initiatives, manage the promotion of business plans, consider countermeasures and deliberate directions.

- **Administrative Committee**

Twice annually directors, executive officers, councilors, Audit & Supervisory Board members (as observers) and individuals in charge of business units gather to reinforce awareness of business policies.

- **Business Planning Committee**

Once annually, directors, pertinent executive officers and councilors in charge of divisions and business units, pertinent individuals responsible for business units and directors of pertinent subsidiaries gather to propose and consider business plans.

Reasons for Choosing Current Corporate Governance Structure

With the aim of establishing a structure to facilitate swift, appropriate responses in a rapidly changing operating environment, in June 2002 we instituted an executive officer system, thereby separating responsibility for management decision making and oversight from that for business execution. This has enabled us to create a corporate governance structure in which the Board of Directors is able to focus on oversight and outside Audit & Supervisory Board members are able to audit both legal compliance and appropriateness, thus ensuring a monitoring function with sufficient checks and balances. We also appoint outside directors, enabling the incorporation of diverse perspectives and strengthening the mutual monitoring function of directors.

System of Internal Controls

In May 2006, the Board of Directors resolved to adopt a Basic Policy on Internal Control Systems, which governs the operation of our internal control systems. The Board of Directors reviews the basic policy annually. At a Board of Directors' meeting held on October 28, 2015, it was resolved that the basic policy should be continued with some amendments to reflect our basic approach to compliance with Japan's new Corporate Governance Code. Having created a system of internal controls that complies with the provision for internal controls in Japan's Financial Instruments and Exchange Act, we are taking steps to ensure its effective implementation.

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.

Response to Japan's Corporate Governance Code

This section outlines our response to the Corporate Governance Code formulated by the Tokyo Stock Exchange (TSE) in fiscal 2015.

Reasons for Noncompliance with the Principles of the Corporate Governance Code

Supplementary Principle 4.10.1: Adoption of an Optional Structure

Candidates for the Board of Directors and the Audit & Supervisory Board are determined by the Board of Directors, which includes outside directors, based on a comprehensive evaluation of the individual's achievements, experience and capabilities. With regard to the determination of remuneration for directors, appropriate decisions are made by the Board of Directors, which includes outside directors, within the total amount of remuneration for directors approved by resolution of the general meeting of shareholders. We are currently considering the establishment of an advisory committee that includes independent outside directors to ensure the appropriate involvement thereof, with the aim of ensuring the transparency of nomination, remuneration and other matters related to directors.

Disclosure Based on the Principles of the Corporate Governance Code

Principle 1.3: Fundamental Approach to Capital Policy

Given that capital policy may have a significant impact on returns to shareholders, we have established the following basic capital policy.

• Basic capital policy

1. Capital policy

Bearing in mind that sustained growth is necessary to achieve increases in shareholder value over the medium to long term, we recognize the need to maintain a level of shareholders' equity that allows for investment in sustained and efficient growth while maintaining an awareness of capital costs.

2. Returns to shareholders

In line with its basic policy of providing shareholders with returns on their investments, we strive to distribute profits in a manner that is commensurate with our operating results. To

this end, we continue to prioritize profitable growth, which will position us to achieve consistent, stable growth in dividends and a payout ratio of between 30% and 40%.

Principle 1.4: Cross-Shareholdings

We engage in strategic cross-shareholdings in accordance with the following policy:

• Fundamental policy on cross-shareholdings

1. We acquire and hold shares in companies with which we have business or other relations, based on a comprehensive evaluation of necessity to enhance corporate value and meaningfulness. The Board of Directors periodically verifies the motive—i.e., whether intended objectives have been met—and the rationality of these holdings.
2. In exercising voting rights associated with cross-shareholdings, we examine whether individual proposals are conducive to enhancing our corporate value or that of the company whose shares we hold.

Principle 1.7: Related Party Transactions

We have approval and reporting procedures in place for transactions that qualify as “conflict of interest transactions” under Japan's Companies Act—including direct transactions involving PanaHome and individual directors or executive officers or PanaHome and other organizations or companies in which our directors have representative rights, or transactions between executive officers that represent conflicts of interest—based on our own Standards Governing the Referral of Matters to the Board of Directors. Transactions between us and our major shareholders are reported to the Board of Directors as necessary depending on the circumstances thereof.

Principle 3.1: Full Disclosure

- (1) Company objectives (e.g., business principles), business strategies and business plans
- In addition to ensuring disclosure based on pertinent laws and regulations, the Panasonic Group, of which we are a member, has formulated a code of conduct that expresses clear guidelines for the implementation of our corporate philosophy with the aim of securing the transparency and

fairness of decision making and the effectiveness of its corporate governance. For more information, please refer to the Panasonic Code of Conduct.

- **Code of Conduct**

The Panasonic Code of Conduct can be found on Panasonic's corporate website.

<http://www.panasonic/global/corporate/management/code-of-conduct/list.html>

- **Management policy**

As the housing company of the Panasonic Group, we are committed to providing ecologically sound living environments that support healthy, comfortable lifestyles through our diverse range of housing-related businesses.

In line with our "Homes & Living: A better life begins at home" business vision, we will continue to capitalize on the Panasonic brand image to fulfill our mission as a company that provides inspiring homes optimally designed to contribute to the comfort, health and happiness of customers.

(2) Basic views and guidelines on corporate governance based on each of the principles of the Code

Our basic views on corporate governance are outlined on the first page of the Corporate Governance section of this report. From fiscal 2016, we have included a section titled "(Reference) Basic Policy on Corporate Governance" in the notice of the ordinary general meeting of shareholders.

Notice of the 59th Ordinary General Meeting of Shareholders
http://www.panahome.jp/english/ir/pdf/shareholder_59th.pdf

(3) Board policies and procedures in determining the remuneration of directors

Total remuneration in fiscal 2015 was ¥219 million for directors, including ¥10 million for one outside director, and ¥38 million for Audit & Supervisory Board members, including ¥17 million for two outside members. At the ordinary general meeting of shareholders held in June 2016, shareholders approved a proposal for a limit on total annual remuneration for directors of ¥360 million. Separately, a proposal to grant directors up to ¥20 million annually for the acquisition of PanaHome shares was also approved.

We also offer performance-linked compensation as a

short-term incentive to motivate directors (excluding outside directors) and executive officers to help improve operating results, using net sales and operating income, among others—both overall and in the business for which the individual is responsible—as indicators. In addition, we offer stock-based compensation as a long-term incentive, thereby ensuring that directors share the benefits and risks of fluctuations in share price with shareholders, with the aim of motivating directors to contribute to increasing corporate value over the medium to long term. At the ordinary general meeting of shareholders held in June 2006, shareholders approved a proposal for a limit on annual remuneration for each Audit & Supervisory Board member of ¥73 million.

(4) Board policies and procedures for the nomination of directors and Audit & Supervisory Board member candidates

For the position of director, we nominate diverse individuals with ample knowledge and in-house experience in management, business, finance and/or general affairs, as well as specialized expertise and experience in such areas as corporate management, business, finance and accounting, or legal affairs. In principle, the president and CEO selects candidates who recognize and practice behavior consistent with the PanaHome Code of Ethics for Directors, who are deliberated upon and nominated by the Board of Directors. The nomination procedure for Audit & Supervisory Board member candidates involves the selection of individuals who satisfy nomination standards set forth in the PanaHome Audit Standards for Audit & Supervisory Board Members. Candidates are deliberated upon by the Board of Directors and appointed with the consent of the Audit & Supervisory Board. At least one Audit & Supervisory Board member candidate must possess sufficient knowledge of finance and accounting.

(5) Explanations with respect to the individual appointments and nominations

Effective from fiscal 2016, the rationale behind the nomination of all director and Audit & Supervisory Board member candidates is included in the notice of the ordinary general meeting of shareholders.

Notice of the 59th Ordinary General Meeting of Shareholders
http://www.panahome.jp/english/ir/pdf/shareholder_59th.pdf

Supplementary Principle 4.1.1: Scope and Content of Matters Delegated to Management by the Board of Directors

In addition to matters determined by law, regulation or the articles of incorporation, the Board of Directors makes decisions on matters of importance set forth in our Standards Governing the Referral of Matters to the Board of Directors and in the Board of Directors' Rules. The Standards Governing the Referral of Matters to the Board of Directors sets forth a number of matters pertaining to management policies and strategies, as well as the duties and performance targets of executive officers, that require deliberation by the Board of Directors. The Board of Directors also delegates decision making on matters other than those determined by law, regulation, the articles of incorporation or the Board of Directors' Rules to the executive officers with the aim of increasing the agility and flexibility of the latter.

Principle 4.8: Effective Use of Independent Directors

At the ordinary general meeting of shareholders held in June 2016, two independent outside directors were elected, both of whom have been registered as such. With the aim of revitalizing the Board of Directors, a forum has been established for the outside directors and Audit & Supervisory Board members to exchange information and views from an independent and objective perspective.

Principle 4.9: Independence Standards and Qualifications for Independent Outside Directors

Independent outside directors must fulfill requirements stipulated in the Companies Act, as well as our own Standards for Determining the Independence of Independent Outside Directors, which are based on standards established for this purpose by the TSE. Effective from fiscal 2016, the notice of the ordinary general meeting of shareholders carries a section titled "(Reference) Standards for Determining the Independence of Independent Directors/Auditors" as a reference material for the proposal and election of directors. Notice of the 59th Ordinary General Meeting of Shareholders http://www.panahome.jp/english/ir/pdf/shareholder_59th.pdf

Supplementary Principle 4.11.1: View on the Appropriate Balance of Knowledge, Experience and Skills of the Board of Directors as a Whole and on Diversity and Board Size

The Board of Directors must be able to fulfill its fiduciary responsibility and discharge its duties effectively and in a manner conducive to swift decision making. To this end, we have placed a maximum limit on the number of directors, who in principle must have:

- Extensive knowledge and ample experience in the businesses of PanaHome;
- Extensive knowledge and ample experience in general accounting or financial accounting;
- Extensive knowledge and ample experience in legal affairs, compliance, internal controls or other areas; or
- Extensive knowledge and ample experience in corporate management or in industry, society or other areas not directly connected to the businesses of PanaHome.

Supplementary Principle 4.11.2: Concurrent Posts Held by Directors and Audit & Supervisory Board Members

Information on significant concurrent positions held by directors and Audit & Supervisory Board members is provided in the notice of the ordinary general meeting of shareholders. Notice of the 59th Ordinary General Meeting of Shareholders http://www.panahome.jp/english/ir/pdf/shareholder_59th.pdf

Supplementary Principle 4.11.3: Assessment of the Effectiveness of the Board of Directors

Individual directors and Audit & Supervisory Board members conduct survey-format self-evaluations, based upon which the effectiveness of the Board as a whole is analyzed and assessed. As a result of the assessment conducted in fiscal 2015, we concluded that the composition, operation and decision making of, as well as the oversight provided by, the Board of Directors, were appropriate and that the Board was thus sufficiently effective. We will continue working to enhance the functions of the Board of Directors with the aim of further improving the Board's effectiveness and efficiency, as well as to review practices for the sharing of information in advance and of issues pertaining to corporate management.

Supplementary Principle 4.14.2: Policy for Training Directors and Audit & Supervisory Board Members

We have established a policy for providing directors and Audit & Supervisory Board members with the training necessary to enable them to fulfill their fiduciary responsibility and discharge their duties.

• Policy for training directors and Audit & Supervisory Board members

1. At the time of appointment, we provide directors and Audit & Supervisory Board members with opportunities for training to acquire/enhance knowledge and information necessary to appropriately fulfill their fiduciary responsibility and discharge their duties.
2. In addition to training at the time of appointment, we actively provide outside directors with opportunities for training as necessary to ensure their understanding of PanaHome's corporate philosophy, businesses, financial condition, corporate organization and other matters.
3. Subsequent to appointment, we provide directors and Audit & Supervisory Board members with regular opportunities for training on laws and regulations, accounting, safety management and other themes deemed beneficial from a management perspective on an ongoing basis to equip them with knowledge pertinent to PanaHome's businesses, financial condition, corporate organization and other matters.

Principle 5.1: Policy for Constructive Dialogue with Shareholders

We strive to maintain constructive dialogue with shareholders, recognizing this as an important factor in our ability to increase corporate value in a sustainable manner. To this end, we have formulated and disclosed the following basic policy:

• Policy for constructive dialogue with shareholders

1. Basic policy

To build positive relationships with shareholders and investors in Japan and overseas over the long term, we conduct investor relations (IR) activities with the aim of ensuring our disclosure of financial and corporate information and management policy not only fulfill legal requirements but are also both fair and accurate, and of providing easy-to-understand information on contributing factors and conditions

in our operating environment, among others, in a timely and appropriate manner.

2. Framework for advancing constructive dialogue

- (1) Dialogue between directors/executive officers and shareholders

The executive in charge of the IR team coordinates dialogue with shareholders. Taking the requests and concerns of shareholders into consideration, to the extent reasonable, the president and CEO, directors and executive officers engage in dialogue with individual shareholders through direct meetings.

- (2) Establishment of an IR team

In addition to appointing an executive in charge of IR, a dedicated IR team has been established within the Accounting Department. This team strives to help increase corporate value in a sustainable manner by promoting dialogue with shareholders.

- (3) Collaboration with related departments

The IR team spearheads initiatives aimed at facilitating rational and smooth dialogue with shareholders by coordinating with, among others, the Management Planning Office, individual business divisions and individual sales departments.

3. Framework for IR activities other than individual meetings

In addition to individual meetings, we strive to improve our range of IR activities aimed at institutional investors. These activities include semi-annual financial results presentations, which are conducted by the president and CEO. We also arrange facility tours and promote other efforts as necessary to enhance our IR activities.

4. Relaying shareholder views to management

Views and requests obtained through dialogue with investors are relayed to directors and executive officers in a timely and appropriate manner to ensure common awareness of issues.

5. Managing insider information

To prevent leaks of important undisclosed internal information (insider information), we promote the stringent management of information in collaboration with the person in charge of information management, in accordance with our Regulations to Prevent Insider Trading.

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, 2016.

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. Although the shift from defined benefit plans to defined contribution plans has lowered related risks, it is still possible 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

Underpinned by the positive impact of government measures to encourage home buying, sales of custom-built detached houses showed signs of rallying in fiscal 2015. Sales of apartments were robust, reflecting an increase in people seeking to invest in this market, particularly in urban centers, prompted by revisions to Japan's inheritance tax, and firm sales in the remodeling services business also contributed to consolidated net sales, which increased 8.4%, to ¥352,971 million (US\$3,123 million).

Cost of sales and selling, general and administrative expenses

Cost of sales rose 7.3%, to ¥271,485 million (US\$2,402 million). Cost of sales as a percentage of net sales edged down 0.8 percentage point, to 76.9%, owing to the increase in net sales, as well as to an improvement in gross profit on construction contracts and the positive impact of rationalization measures.

Selling, general and administrative (SG&A) expenses were up 9.6%, to ¥65,634 million (US\$580 million), a consequence of higher wages and the consolidation of several affiliates, which pushed up fixed costs.

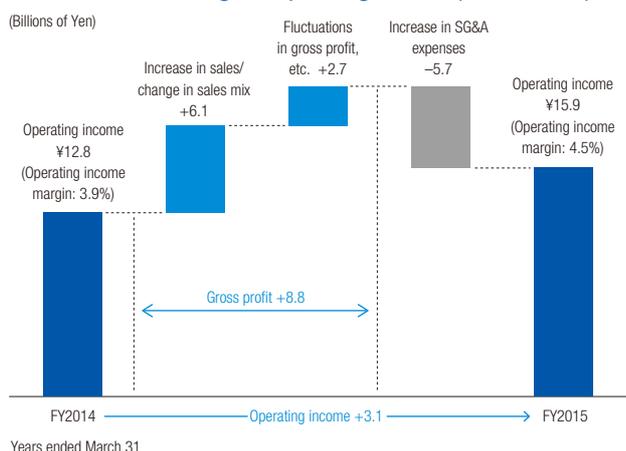
Earnings

Despite higher SG&A expenses, operating income advanced 24.2%, to ¥15,851 million (US\$140 million), bolstered by the increase in net sales and the decline in cost of sales. Net income attributable to owners of parent climbed 25.7%, to ¥10,053 million (US\$88 million). Net income per share was ¥59.86 (US\$0.52), up from ¥47.60 in the previous fiscal year.

Financial Position

As of March 31, 2016, total assets amounted to ¥277,327 million (US\$2,454 million), up 12.4% from the fiscal 2014 year-end. Total current assets rose 18.4%, to ¥215,139 million

Factors Behind Change in Operating Income (Year on Year)



(US\$1,903 million), reflecting increases in real estate for sale in process—a consequence of forward-looking investments in land for sale—as well as in deposit paid in subsidiaries and associates and cash and cash equivalents.

Total property, plant and equipment edged up 1.7%, to ¥38,861 million (US\$343 million), reflecting assertive investments in new housing display centers. An increase in net defined benefit asset attributable to flagging market interest rates and a decrease in investment securities due to the consolidation of two affiliates previously accounted for by the equity method were among factors behind a 13.1% decline in the total of intangible assets and total investments and other assets, to ¥23,325 million (\$206 million).

Total current liabilities, at ¥98,901 million (US\$875 million), were up 6.3%, owing primarily to increases in notes payable, accounts payable for construction contracts and other, and in deposits received and accrued consumption tax, which pushed up current liabilities in the “other” category. Total noncurrent liabilities rose 3.4%, to ¥19,140 million (US\$169 million), with reasons including an increase in net defined benefit liability attributable to falling market interest rates.

Total net assets rose 17.8%, to ¥159,286 million (US\$1,409 million). This result reflected increases in capital surplus and non-controlling interests, the result of a third-party allotment of shares by home remodeling subsidiary PanaHome Reform Co., Ltd., and in net income attributable to owners of parent, a consequence of changes in the scope of consolidation, as well as declines in dividends of surplus and remeasurements of defined benefit plans.

Cash Flows

Net cash provided by operating activities amounted to ¥8,531 million (US\$75 million). Contributing factors included an increase in cash provided by income before income taxes and outflows represented by an increase in inventories and income taxes paid.

Net cash used in investing activities was ¥21,883 million (US\$193 million). This result reflected cash provided by withdrawal of deposit paid in subsidiaries and associates, as well as outflows such as deposit paid in subsidiaries and associates and purchase of property, plant and equipment.

Net cash provided by financing activities came to ¥15,069 million (US\$133 million). This was attributable mainly to proceeds from share issuance to non-controlling shareholders. Outflows included cash dividends paid.

Operating, investing and financing activities thus resulted in cash and cash equivalents as of March 31, 2016, of ¥63,968 million (US\$566 million), a net increase of ¥1,633 million (US\$14 million) from the previous fiscal year-end.

Consolidated Balance Sheets

PanaHome Corporation and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Assets			
Current assets			
Cash and cash equivalents	¥ 22,838	¥ 17,876	\$ 202,106
Notes receivable, accounts receivable from completed construction contracts and other	6,765	5,308	59,867
Costs on uncompleted construction contracts	6,474	6,776	57,292
Real estate for sale in process	68,912	59,292	609,840
Merchandise and finished goods	1,079	845	9,548
Work in process	62	42	548
Raw materials and supplies	195	157	1,725
Deposit paid in subsidiaries and associates	103,000	85,000	911,504
Deferred tax assets	2,523	2,548	22,327
Other	3,310	3,875	29,292
Allowance for doubtful accounts	(22)	(22)	(194)
Total current assets	215,139	181,702	1,903,884
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	14,628	14,433	129,451
Machinery, equipment and vehicles, net	2,871	2,823	25,407
Land	20,594	20,220	182,247
Lease assets, net	52	82	460
Construction in progress	283	221	2,504
Other, net	430	416	3,805
Total property, plant and equipment	38,861	38,197	343,902
Intangible assets	3,704	3,852	32,778
Investments and other assets			
Investment securities	7,138	8,590	63,168
Long-term loans receivable	1,779	1,867	15,743
Net defined benefit asset	4,300	6,101	38,053
Deferred tax assets	2,591	1,656	22,929
Other	4,146	5,124	36,690
Allowance for doubtful accounts	(335)	(345)	(2,964)
Total investments and other assets	19,621	22,995	173,637
Total noncurrent assets	62,188	65,045	550,336
Total assets	¥277,327	¥246,747	\$2,454,221

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liabilities			
Current liabilities			
Notes payable, accounts payable for construction contracts and other	¥ 47,546	¥ 44,267	\$ 420,761
Short-term loans payable	480	355	4,247
Lease obligations	30	43	265
Accrued income taxes	3,410	3,242	30,176
Advances received on uncompleted construction contracts	24,949	24,695	220,787
Provision for bonuses	3,467	2,931	30,681
Provision for warranties for completed construction	1,258	1,283	11,132
Provision for sales rebates	4	7	35
Other	17,753	16,251	157,106
Total current liabilities	98,901	93,078	875,230
Noncurrent liabilities			
Long-term loans payable	—	613	—
Lease obligations	26	45	230
Deferred tax liabilities for land revaluation	1,481	1,580	13,106
Net defined benefit liability	8,271	7,671	73,194
Asset retirement obligations	707	634	6,256
Other	8,653	7,958	76,575
Total noncurrent liabilities	19,140	18,503	169,380
Total liabilities	118,041	111,582	1,044,610
Net assets			
Shareholders' equity			
Capital stock	28,375	28,375	251,106
Capital surplus	41,071	31,985	363,460
Retained earnings	91,199	84,578	807,070
Treasury stock	(357)	(332)	(3,159)
Total shareholders' equity	160,289	144,607	1,418,486
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	231	401	2,044
Revaluation reserve for land	(6,129)	(6,280)	(54,238)
Foreign currency translation adjustments	(80)	50	(707)
Remeasurements of defined benefit plans	(5,821)	(3,812)	(51,513)
Total accumulated other comprehensive income	(11,799)	(9,641)	(104,415)
Non-controlling interests	10,796	199	95,539
Total net assets	159,286	135,165	1,409,610
Total liabilities and net assets	¥277,327	¥246,747	\$2,454,221

Consolidated Statements of Income

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Net sales	¥352,971	¥325,622	\$3,123,637
Cost of sales	271,485	252,952	2,402,522
Gross profit	81,486	¥72,670	721,115
Selling, general and administrative expenses	65,634	59,910	580,831
Operating income	15,851	12,759	140,274
Non-operating income			
Interest income	244	236	2,159
Dividend income	26	24	230
Equity in earnings of affiliates	—	105	—
Other	326	307	2,884
Total non-operating income	597	674	5,283
Non-operating expenses			
Interest expenses	69	73	610
Equity in losses of affiliates	10	—	88
Share issuance cost	101	—	893
Delinquency charges	92	40	814
Loss on cancellation of contracts	61	31	539
Other	245	285	2,168
Total non-operating expenses	581	430	5,141
Ordinary income	15,866	13,003	140,407
Extraordinary income			
Gain on sales of noncurrent assets	2	68	17
Gain on sales of investment securities	71	—	628
Gain on bargain purchase	228	—	2,017
Compensation income for expropriation	65	—	575
Total extraordinary income	367	68	3,247
Extraordinary losses			
Loss on sales and retirement of noncurrent assets	108	67	955
Impairment loss	10	97	88
Loss on step acquisitions	250	—	2,212
Cost of change in corporate name of a subsidiary	39	—	345
Total extraordinary losses	409	164	3,619
Income before income taxes	15,825	12,907	140,044
Income taxes—current	5,215	4,495	46,150
Income taxes—deferred	424	411	3,752
Total income taxes	5,639	4,906	49,902
Net income	10,185	8,000	90,132
Income attributable to non-controlling interests	132	4	1,168
Net income attributable to owners of parent	¥ 10,053	¥ 7,995	\$ 88,964

Consolidated Statements of Comprehensive Income

PanaHome Corporation and Consolidated Subsidiaries

Years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Net income	¥10,185	¥8,000	\$90,132
Other comprehensive income			
Valuation difference on available-for-sale securities	(125)	25	(1,106)
Revaluation reserve for land	78	165	690
Foreign currency translation adjustments	(130)	36	(1,150)
Remeasurements of defined benefit plans, net of tax	(2,008)	922	(17,769)
Share of other comprehensive income of entities accounted for using equity method	(43)	27	(380)
Total other comprehensive income	(2,230)	1,176	(19,734)
Comprehensive income	¥ 7,955	¥9,177	\$70,398
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of parent	¥ 7,822	¥9,172	\$69,221
Comprehensive income attributable to non-controlling interests	132	4	1,168

Note: Comprehensive income attributable to non-controlling interests

Consolidated Statements of Changes in Net Assets

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

Millions of Yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, April 1, 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 attributable to owners of parent	—	—	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
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance, March 31, 2015	28,375	31,985	84,578	(332)	144,607
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	28,375	31,985	84,578	(332)	144,607
Dividends of surplus	—	—	(3,359)	—	(3,359)
Net income attributable to owners of parent	—	—	10,053	—	10,053
Reversal of revaluation reserve for land	—	—	(72)	—	(72)
Purchase of treasury stock	—	—	—	(30)	(30)
Disposal of treasury stock	—	2	—	5	7
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	11	—	—	11
Capital increase of consolidated subsidiaries	—	9,071	—	—	9,071
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance, March 31, 2016	¥28,375	¥41,071	¥91,199	¥(357)	¥160,289

Thousands of U.S. Dollars

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, March 31, 2015	\$251,106	\$283,053	\$748,477	\$(2,938)	\$1,279,707
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	251,106	283,053	748,477	(2,938)	1,279,707
Dividends of surplus	—	—	(29,725)	—	(29,725)
Net income attributable to owners of parent	—	—	88,964	—	88,964
Reversal of revaluation reserve for land	—	—	(637)	—	(637)
Purchase of treasury stock	—	—	—	(265)	(265)
Disposal of treasury stock	—	17	—	44	61
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	97	—	—	97
Capital increase of consolidated subsidiaries	—	80,274	—	—	80,274
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance, March 31, 2016	\$251,106	\$363,460	\$807,070	\$(3,159)	\$1,418,486

Millions of Yen

	Accumulated other comprehensive income					Non-controlling interests	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		
Balance, April 1, 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 attributable to owners of parent	—	—	—	—	—	—	7,995
Reversal of revaluation reserve for land	—	—	—	—	—	—	29
Purchase of treasury stock	—	—	—	—	—	—	(19)
Disposal of treasury stock	—	—	—	—	—	—	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	—
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
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	401	(6,280)	50	(3,812)	(9,641)	199	135,165
Dividends of surplus	—	—	—	—	—	—	(3,359)
Net income attributable to owners of parent	—	—	—	—	—	—	10,053
Reversal of revaluation reserve for land	—	—	—	—	—	—	(72)
Purchase of treasury stock	—	—	—	—	—	—	(30)
Disposal of treasury stock	—	—	—	—	—	—	7
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	11
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	9,071
Net changes of items other than shareholders' equity	(169)	151	(130)	(2,008)	(2,157)	10,596	8,438
Balance, March 31, 2016	¥231	¥(6,129)	¥(80)	¥(5,821)	¥(11,799)	¥10,796	¥159,286

Thousands of U.S. Dollars

	Accumulated other comprehensive income					Non-controlling interests	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		
Balance, March 31, 2015	\$3,548	\$(55,575)	\$442	\$(33,734)	\$(85,318)	\$1,761	\$1,196,150
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	3,548	(55,575)	442	(33,734)	(85,318)	1,761	1,196,150
Dividends of surplus	—	—	—	—	—	—	(29,725)
Net income attributable to owners of parent	—	—	—	—	—	—	88,964
Reversal of revaluation reserve for land	—	—	—	—	—	—	(637)
Purchase of treasury stock	—	—	—	—	—	—	(265)
Disposal of treasury stock	—	—	—	—	—	—	61
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	97
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	80,274
Net changes of items other than shareholders' equity	(1,495)	1,336	(1,150)	(17,769)	(19,088)	93,769	74,672
Balance, March 31, 2016	\$2,044	\$(54,238)	\$(707)	\$(51,513)	\$(104,415)	\$95,539	\$1,409,610

Consolidated Statements of Cash Flows

PanaHome Corporation and Consolidated Subsidiaries

Years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes	¥ 15,825	¥ 12,907	\$140,044
Depreciation	4,455	3,976	39,424
Impairment loss	10	97	88
Loss (gain) on step acquisitions	250	—	2,212
Gain on bargain purchase	(228)	—	(2,017)
Increase (decrease) in provision for bonuses	92	19	814
Increase (decrease) in net defined benefit liability	(908)	(283)	(8,035)
Increase (decrease) in provision for warranties for completed construction	(45)	(110)	(398)
Interest and dividend income	(270)	(260)	(2,389)
Interest expenses	69	73	610
Share issuance cost	101	—	893
Equity in (earnings) losses of affiliates	10	(105)	88
Loss on sales and retirement of noncurrent assets	108	67	955
Loss (gain) on sales of investment securities	(71)	—	(628)
Decrease (increase) in notes and accounts receivable—trade	(1,682)	1,312	(14,884)
Decrease (increase) in inventories	(6,873)	1,459	(60,823)
Increase (decrease) in notes and accounts payable—trade	1,970	372	17,433
Increase (decrease) in advances received on uncompleted construction contracts	(3,314)	(6,930)	(29,327)
Other, net	(3,980)	(1,375)	(35,221)
Subtotal	13,479	11,220	119,283
Interest and dividend income received	303	302	2,681
Interest expenses paid	(69)	(77)	(610)
Income taxes paid	(5,182)	(4,847)	(45,858)
Net cash provided by operating activities	8,531	6,598	75,495
Cash flows from investing activities			
Payments for time deposits	(2,950)	(1,051)	(26,106)
Proceeds from withdrawal of time deposits	3,105	1,020	27,477
Purchase of property, plant and equipment	(3,052)	(2,645)	(27,008)
Proceeds from sales of property, plant and equipment	248	402	2,194
Purchase of intangible assets	(1,577)	(868)	(13,955)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2,250	—	19,911
Payments of loans receivable	(171)	—	(1,513)
Collection of loans receivable	145	305	1,283
Deposit paid in subsidiaries and associates	(100,000)	(80,000)	(884,955)
Withdrawal of deposit paid in subsidiaries and associates	80,000	80,000	707,964
Other, net	119	(77)	1,053
Net cash used in investing activities	(21,883)	(2,914)	(193,654)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(26)	258	(230)
Repayments of long-term loans payable	(613)	(211)	(5,424)
Proceeds from share issuance to non-controlling shareholders	19,168	—	169,628
Purchase of treasury stock	(27)	(19)	(238)
Cash dividends paid	(3,359)	(3,779)	(29,725)
Repayments of finance lease obligations	(69)	(36)	(610)
Other, net	(5)	1	(44)
Net cash provided (used) in financing activities	15,069	(3,786)	133,353
Effect of exchange rate change on cash and cash equivalents	(82)	116	(725)
Net increase (decrease) in cash and cash equivalents	1,632	13	14,442
Cash and cash equivalents at the beginning of the period	62,335	62,322	551,637
Cash and cash equivalents at the end of the period	¥ 63,968	¥ 62,335	\$566,088

Corporate Information

Corporate Data (As of March 31, 2016)

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

5,784

Management (As of June 23, 2016)

Directors

President and Chief Executive Officer
Ryuji Matsushita*

Executive Vice Presidents

Makoto Hatakeyama*
Mitsuhiko Nakata
Nobuhiko Teranishi

Senior Managing Executive Officer

Atsushi Hongo

Managing Executive Officers

Hideyo Hamatani
Shinichi Watabe

Outside Directors

Kazuo Ichijo
Naoto Terakawa

* 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 Officers

Hiroshi Hirasawa
Taku Hirao

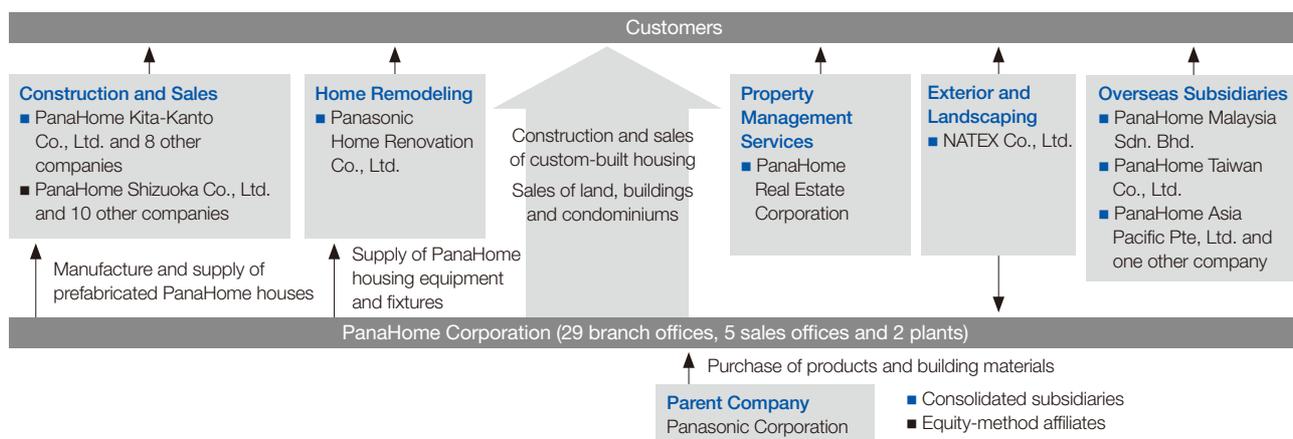
Managing Executive Officer

Kenichi Takahashi

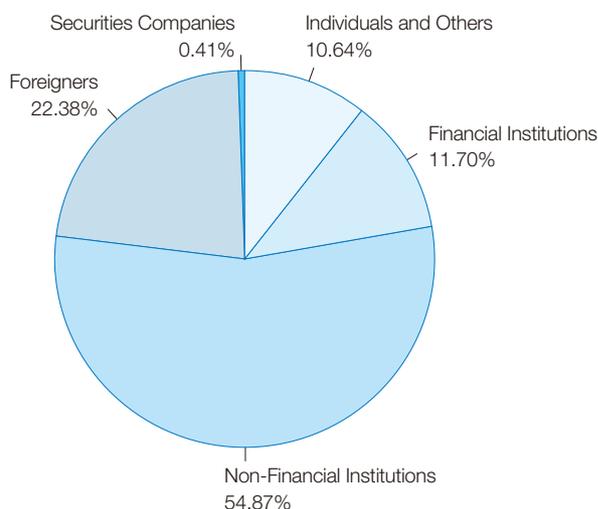
Executive Officers

Hirohiko Nagata
Ryoji Sakata
Akihiro Hosoya
Yoshiyuki Takebayashi
Jun Sakurai
Kenji Koyama
Yoshifumi Matsuoka

Subsidiaries and Affiliates (As of June 30, 2016)



Shareholding by Shareholder (As of March 31, 2016)



Note: Fractional shares are not included.

Major Shareholders (As of March 31, 2016)

Name	Thousands of Shares Held	Shareholding Ratio (%)
Panasonic Corporation	91,036	54.00
Northern Trust Co. (AVFC) RE-SSD00	3,986	2.36
PanaHome Employee Shareholding Association	3,147	1.86
Japan Trustee Services Bank, Ltd. (Trust account)	3,102	1.84
The Bank of New York Mellon SA/NV 10	2,408	1.42
Sumitomo Mitsui Banking Corporation	2,358	1.39
The Master Trust Bank of Japan, Ltd. (Trust account)	2,145	1.27
BNY GCM Client Account JPRD AC ISG (FE-AC)	2,027	1.20
State Street Bank and Trust Company 505001	1,987	1.17
Goldman Sachs International	1,792	1.06

Note: PanaHome holds 612,410 shares of its own common stock.

PanaHome

PanaHome Corporation

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