

February 28, 2017

To whom it may concern:

Name of company: PanaHome Corporation  
Representative: Ryuji Matsushita, President  
(Code No.: 1924, TSE 1st Sec.)  
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**PanaHome obtained a fairness opinion with regard to the Share Exchange Ratio in the Share Exchange between PanaHome and Panasonic and discloses an FAQ**

As announced in our press release dated December 20, 2016 titled “Panasonic Corporation Announces to Have Executed a Share Exchange Agreement to Make PanaHome Corporation its Wholly-owned Subsidiary through Share Exchange” (the “Press Release of December 20, 2016”), PanaHome Corporation (“PanaHome”) announced the execution of the share exchange agreement with Panasonic Corporation (“Panasonic”) in which PanaHome is the wholly-owned subsidiary resulting from the share exchange and Panasonic is the wholly-owning parent company resulting from the share exchange (the “Share Exchange”).

In connection with the Share Exchange, PanaHome obtained a fairness opinion with regard to the share exchange ratio (the “Share Exchange Ratio”) in the Share Exchange as agreed with Panasonic on December 20, 2016 from Plutus Consulting Co., Ltd. (“Plutus”), an independent third-party valuation institution. We also decided to issue an FAQ in order to provide sufficient information regarding the Share Exchange to our shareholders.

1. Obtaining fairness opinion with regard to the Share Exchange Ratio

(1) Reason for obtaining fairness opinion with regard to the Share Exchange Ratio

In determining the implementation and conditions of the Share Exchange, PanaHome obtained a share exchange ratio valuation report for the Share Exchange from SMBC Nikko Securities, an independent third-party valuation institution, on December 20, 2016. In determining the amount of year-end dividend for the fiscal year ending March 2017 and to reexamine whether the Share Exchange Ratio is fair, we requested Plutus, a third-party valuation institution independent from PanaHome and Panasonic, to calculate the share exchange ratio and to provide its opinion regarding the fairness of the Share Exchange Ratio. As a result, we received a fairness opinion to the effect that the Share Exchange Ratio is fair from a financial point of view to the minority shareholders of PanaHome on February 24, 2017.

Please refer to our press release “PanaHome Announces Dividends Forecasts” announced today for the amount of the year-end dividend for the fiscal year ending March 2017.

(2) Matters Concerning Calculation

(i) Name of the Valuation Institution and its Relationship with the Listed Companies

Plutus, which is a third-party valuation institution of PanaHome, is independent from PanaHome and Panasonic, is not a related party of PanaHome or Panasonic, and does not now have and has never had any business relationship or any other interest in PanaHome or Panasonic.

(ii) Outline of Calculation

Plutus has adopted the market price analysis for Panasonic since its common shares are listed on a financial instruments exchange and a market price is available. In performing the market price analysis, Plutus set December 19, 2016 as the reference date, and used the simple average closing prices of Panasonic on the First Section of the Tokyo Stock Exchange during the thirty three (33) business days (the period starting from November 1, 2016, the day following Panasonic's announcement of revision of the consolidated financial forecasts), the most recent month, the most recent three (3) months, and the most recent six (6) months, each ending on the reference date.

Plutus has adopted the market price analysis for PanaHome since its common shares are listed on a financial instruments exchange and a market price is available. In addition, as there are several comparable listed companies that operate business similar with PanaHome and analogical inference of share value through the comparable company analysis is possible, Plutus has adopted the comparable companies analysis for calculation. Furthermore, in order to take into account the state of future business operations in the assessment, Plutus has adopted the discounted cash flow ("DCF") analysis as well.

In performing the market price analysis, Plutus set December 19, 2016 as the reference date, and used the simple average closing prices of PanaHome on the First Section of the Tokyo Stock Exchange during the thirty three (33) business days (the period starting from November 1, 2016), the most recent month, the most recent three (3) months, and the most recent six (6) months, each ending on the reference date.

In performing the comparable companies analysis, Plutus selected Mitsui Home Co., Ltd., Open House Co., Ltd. and Tama Home Co., Ltd as comparable publicly listed companies which had similar characteristics with PanaHome, and applied PER, EV/EBIT ratio and EV/EBITDA ratio as multiples.

In performing the DCF analysis, Plutus evaluated the equity value by discounting the future cash flow based on the financial forecasts for the period from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2020 prepared by PanaHome and the terminal value after the fiscal year ending March 31, 2021 to the present value at discount rate of 5.992% - 6.708%. Plutus calculated the terminal value by exit multiples method, and applied EV/EBIT multiple of 4.93x - 5.70x and EV/EBITDA multiple of 4.14x - 4.59x.

The following ranges of the share exchange ratio represent ranges of value per PanaHome's common share, equivalent to the number of Panasonic's common shares.

Methodology adopted	Range of calculation of share exchange ratio
Market price analysis	0.67 - 0.77
Comparable companies analysis	0.61 - 1.09
DCF analysis	0.62 - 0.85

(Note) In preparing and submitting the fairness opinion, etc. and conducting the calculation of the share exchange ratio underlying the opinion, Plutus has relied upon the assumptions that all information and materials that were furnished by PanaHome and publicly available information were accurate and complete and all facts that could materially affect the calculation of the share exchange ratio were disclosed to Plutus, and Plutus has used the materials and information as it was and has not independently verified the accuracy and completeness thereof, and is not obliged to verify them.

Plutus has not independently evaluated, appraised or assessed assets and liabilities (including off-balance-sheet assets, off-balance-sheet liabilities and other contingent liabilities) of Panasonic, PanaHome and their respective subsidiaries and affiliates, and has not made any analysis and valuation of individual assets and liabilities. Plutus has not independently requested any third-party institution to make such valuation, appraisal or assessment. Plutus has not independently assessed creditworthiness of PanaHome and Panasonic under applicable laws or ordinances in respect of insolvency, suspension of payment or similar matters.

Plutus assumed that the PanaHome's financial forecasts and other materials used as base materials for preparing the fairness opinion, etc. were prepared by the management of PanaHome based on the best estimation and judgment which could be obtained at this point and in accordance with reasonable and appropriate methods. Plutus has not guaranteed their feasibility, nor expressed any opinion on the analyses or forecasts subject to which they were prepared or the assumptions on which they were based. In performing the DCF analysis, Plutus did not assume any substantial increase or decrease in the profit projected in the business plan of PanaHome. The financial forecasts of PanaHome do not reflect the consummation of the Share Exchange.

The fairness opinion, etc. constitutes an expression of opinion as of the date of its preparation regarding whether the Share Exchange Ratio is fair from a financial point of view to PanaHome's minority shareholders. Such opinion is based on the premise of the financial and capital markets, economic conditions and other environment as of the preparation date, and based on the information that Plutus has obtained on or before the preparation date. The content of the fairness opinion, etc. may be affected by subsequent changes in circumstances. In such case, Plutus will not, however, be obligated to update, revise or supplement the content of the fairness opinion, etc. In the fairness opinion, etc. Plutus does not infer or indicate any opinion other than those expressly indicated in the fairness opinion, etc. or with respect to the matters after the submission date of the fairness opinion, etc.

The fairness opinion, etc. was provided for the purpose of being used as a base material upon PanaHome in order to verify the fairness of the Share Exchange Ratio. Accordingly, the fairness opinion, etc. does not express any opinion on the relative benefit of PanaHome's decision or transaction of the Share Exchange compared to alternative strategical solutions which PanaHome can select. In addition, the fairness opinion, etc. does not express any opinion for shareholders, creditors, or any other stakeholders of PanaHome, nor recommend shareholders any actions regarding the Share Exchange.

## 2. Disclosure of FAQ regarding the Share Exchange

After the announcement of the Share Exchange, we have received some questions regarding the Share Exchange from our shareholders. We hereby disclose additional information about the Share Exchange. Please see the attached "FAQ ON SHARE EXCHANGE WITH PANASONIC."

End.

(Notice Regarding Registration on Form F-4) Panasonic may file a registration statement on Form F-4 (“Form F-4”) with the Securities and Exchange Commission (the “SEC”) in connection with the Share Exchange. If the Form F-4 is filed in connection with the Share Exchange, the Form F-4 would contain a prospectus (the “Prospectus”) and other documents. If the Form F-4 is filed and declared effective, the Prospectus contained in the Form F-4 will be mailed to U.S. shareholders of PanaHome prior to the shareholders’ meeting at which the Share Exchange will be voted upon. If the Form F-4 is filed, the Form F-4 and Prospectus would contain important information about PanaHome and Panasonic, the Share Exchange and related matters. U.S. shareholders of PanaHome are urged to read the Form F-4, the Prospectus and other documents that may be filed with the SEC in connection with the Share Exchange carefully before they make any decision at the shareholders’ meeting with respect to the Share Exchange. Any documents filed with the SEC in connection with the Share Exchange will be made available when filed, free of charge, on the SEC’s web site at [www.sec.gov](http://www.sec.gov).

**Disclaimer Regarding Forward-Looking Statements**

This press release includes forward-looking statements (that include those within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934), as amended about PanaHome. To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of PanaHome in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause PanaHome’s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. PanaHome undertakes no obligation to publicly update any forward-looking statements after the date of this press release. Investors are advised to consult any further disclosures by PanaHome in their subsequent filings under the Financial Instrument and Exchange Act of Japan (the FIEA) and other publicly disclosed documents.

The risks, uncertainties and other factors referred to above are also included (but not limited) in the most recent English translated version of PanaHome’s securities reports under the FIEA.

# **FAQ on the Share Exchange with Panasonic**

**(English translation version)**

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February 28, 2017

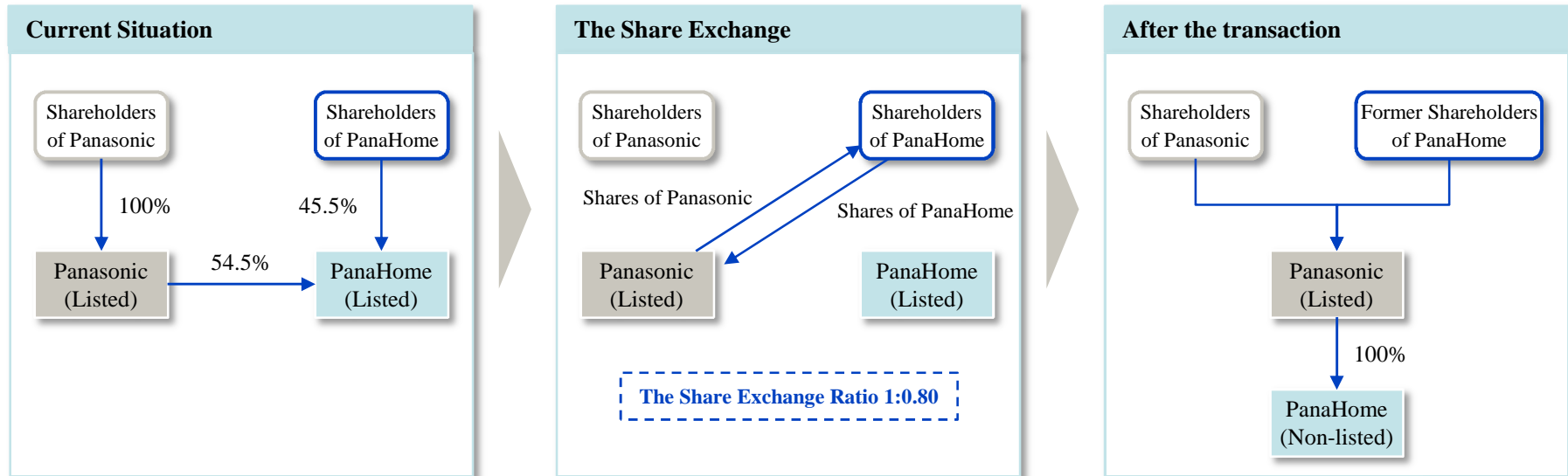
**(Note) This document is a translation from the Japanese original and has been prepared for the convenience of non-Japanese investors. In the event of any discrepancy between this English translation and the Japanese original, the original Japanese version shall prevail.**

# Executive Summary



# Overview of the Share Exchange

The Share Exchange is the transaction that will make PanaHome a wholly-owned subsidiary of Panasonic by exchanging the shares of PanaHome held by the shareholders of PanaHome other than Panasonic for the shares of Panasonic. Shareholders of PanaHome other than Panasonic will become shareholders of Panasonic after the transaction.



- Panasonic owns approximately 54.5% of all the shares of PanaHome

- 0.80 shares of Panasonic will be delivered in exchange for each share of PanaHome.

- PanaHome will be delisted and become a wholly-owned subsidiary of Panasonic.
- Shareholders of PanaHome other than Panasonic will become shareholders of Panasonic after the Share Exchange.

## Schedule for the Share Exchange

<b>December 20, 2016</b>	Execution of the Share Exchange Agreement. Announcement.
<b>June, 2017 (scheduled)</b>	Annual general meeting of shareholders of PanaHome.
<b>August 1, 2017 (scheduled)</b>	Effective date of the Share Exchange.

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# Purposes of the Share Exchange

The Share Exchange is an effective measure to boldly and quickly resolve PanaHome's medium to long term management challenges due to demographic changes, which are a structural problem in Japan.

## PanaHome's current problems

- Long-term decrease in new constructions due to demographic changes in Japan
- Intensification of competition in the market of PanaHome's core business (Custom-Built Housing)
- Need to enhance Urban Development, Residential Stock and Overseas businesses
- PanaHome to have a stronger collaborative relationships with Panasonic to enhance the competitive advantage and grow

## Envisaged synergies through the Share Exchange

### 1. Effective use of the management resources held by Panasonic

- Effective use of Panasonic's brand
- Effective use of Panasonic's overseas network / global personnel

### 2. Effective use of Panasonic's creditworthiness

- Acceleration of M&A and capital and business alliances

### 3. Effective and prompt re-distribution of management resources across the companies of the Panasonic Group

- Effective use of the Panasonic Group's resources without concerns about possible conflicts of interest

### 4. Miscellaneous

- Cost reductions and improved efficiency in administration
- Improvement of hiring of new graduates and development of the specialized human resources
- Increase in access to large-scale projects by utilizing Panasonic's domestic and overseas sales channels

## Objective of the Share Exchange

### Creating "New Ways of Living" in Housing Business

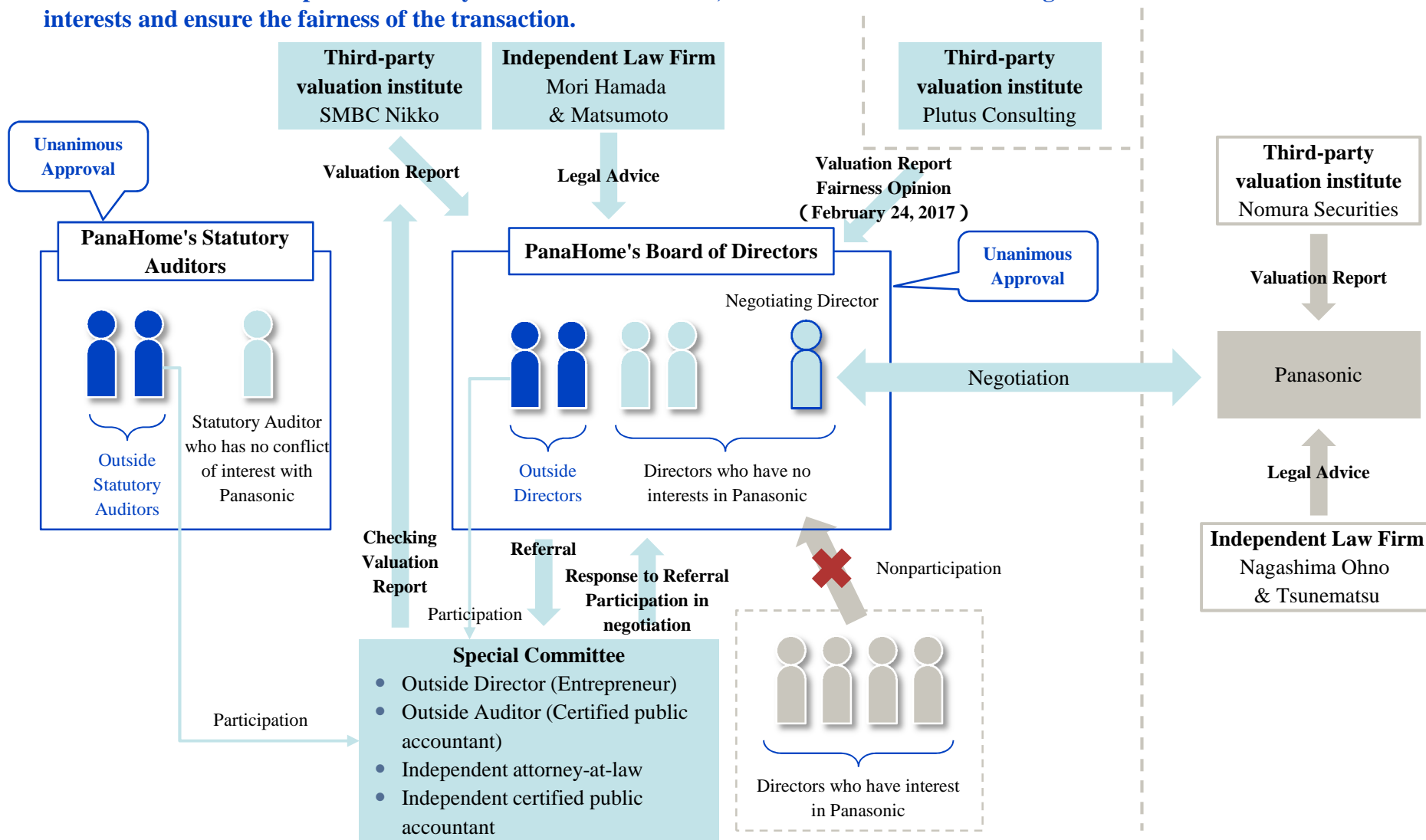


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# Measures to avoid conflict of interest and ensure fairness

The Share Exchange constitutes, for PanaHome, a transaction with a parent company, which structurally involves possible conflicts of interests. To protect minority shareholders' interests, PanaHome has taken following measures to avoid conflicts of interests and ensure the fairness of the transaction.



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# Calculation of share exchange ratio

PanaHome obtained a Valuation Report from SMBC Nikko, an independent third party valuation institution. In addition, PanaHome obtained a Fairness Opinion from Plutus Consulting, another independent third party valuation institution.

## Calculation results by third-party valuation institutes

	by SMBC Nikko		by Plutus Consulting
Market Share Price Analysis	<b>0.68 ~ 0.73</b>		<b>0.67 ~ 0.77</b>
Comparable Companies Analysis	<b>0.55 ~ 1.19</b>		<b>0.61 ~ 1.09</b>
DCF Analysis	<b>0.66 ~ 1.27</b>		<b>0.62 ~ 0.85</b>

## Premium in the Share Exchange Ratio

Premium in the Share Exchange Ratio	Panasonic Stock Price	PanaHome Stock Price	PanaHome Theoretical Price	Premium
Closing price on the business day immediately prior to the date announcement	1,281 yen	855 yen	1,024.8 yen	<b>19.9%</b>
One-month average	1,201.8 yen	815.0 yen	961.4 yen	<b>18.0%</b>

Higher premium compared to past transactions

Premium of share exchanges with a listed subsidiary since 2013 (one-month average)	Number of cases	Premium Mean	Premium Median
Sample (37 cases on P.31, 32)	37 cases	<b>14.4%</b>	<b>13.3%</b>
Case deemed highly comparable	7 cases	<b>11.0%</b>	<b>12.7%</b>

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Frequently asked questions regarding calculation of share exchange ratio are as follows.

## Criteria for selecting the comparable companies (SMBC Nikko)

### (1) Similarity of business

- Classified as “Property Development - Single-Family Housing” by SPEEDA
- Segment of similar business makes up over 50% of their sales and earnings

### (2) Similarity in size of business

- Revenues are not unnaturally small or large in comparison with PanaHome

### (3) Stock price formation

- There is not any anomaly that may impact the stock price formation, such as tender offer
- Indicators relating to the stock trading such as ratio of making contracts or float turnover are not unnaturally low in the market

- Following 4 companies were selected.
  - Sumitomo Forestry Co., Ltd.,
  - Open House Co., Ltd.,
  - Mitsui Home Components Co., Ltd.
  - Tama Home Co., Ltd.
- Plutus Consulting used different criteria for selecting comparable listed companies for their calculation of share exchange ratio.

## Position of cash and deposits in the DCF analysis

Cash and deposits were evaluated taking into account the following, and appropriately reflected to the valuation.

### (1) Working capital needs

Cash and deposits on disclosed year end balance sheet is at its peak

During the period, there are payments of costs, taxes and dividends

The amount of working capital to meet these requirements is approximately 40 billion yen

(Subtracting 40 billion yen as working capital needed for the business operation from cash and deposits which were added to enterprise value)

### (2) Upfront investment towards enhancement of business

PanaHome’s current main business of custom-built detached houses is expected to face the downward business environment

PanaHome is endeavoring to enhance the business areas of “urban development (selling real-estate lots)”

PanaHome plans to invest several tens of billion yen (Such cash and deposits were considered as cash out flow in the period of business plan)

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# FAQ



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No.	Question	Answer
1	Please explain the background and reason for implementing the Share Exchange.	<ul style="list-style-type: none"> <li>• We realize that the business environment surrounding us has been changing. In the domestic housing market, which is our core business, a decrease in new construction is expected due to demographic changes, making for an increasingly competitive market. On the other hand, demand is expected to continue to be strong in both the remodeling and overseas market. Therefore transformation and diversification of our business models in urban development, remodeling, overseas business and other areas are urgently required in this increasingly competitive market.</li> <li>• In the context of such business environment, we believe that we are facing the following major management challenges:               <ol style="list-style-type: none"> <li>(1) To improve market share in Japan;</li> <li>(2) To further expand business operations in overseas markets;</li> <li>(3) To solve our shortage of the human resources necessary for 1 and 2 above; and</li> <li>(4) To further reduce costs such as selling, general and administrative expenses.</li> </ol> <p>In order to resolve these management challenges, enhance our competitive advantage and grow in the housing business, it is essential for us to have a stronger collaborative relationship with Panasonic and achieve the synergies set out in Question No.2, which is the reason why we decided to implement the Share Exchange.</p> </li> </ul> <p style="text-align: right;">(End)</p>
2	What business synergies for PanaHome do you expect to achieve from the Share Exchange?	<ul style="list-style-type: none"> <li>• We are confident that we will be able to achieve the following three major synergies through the Share Exchange:               <ol style="list-style-type: none"> <li>(1) Effective use of the management resources held by Panasonic                   <ul style="list-style-type: none"> <li>▪ By becoming a wholly-owned subsidiary of Panasonic as a result of the Share Exchange, we will be able to utilize Panasonic’s brand itself and it will become possible for us to create housing space through the integration of consumer electronics equipment and housing technologies, and strengthen Internet of Things (IoT) technical developments in smart houses, based on integrated Panasonic brand strategies.</li> </ul> </li> </ol> </li> </ul> <p style="text-align: right;">(To be continued next time)</p>

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No.	Question	Answer
2	<p>What business synergies for PanaHome do you expect to achieve from the Share Exchange?</p>	<p>(From previous page)</p> <ul style="list-style-type: none"> <li>▪ PanaHome does not have a sufficient overseas network and global personnel, despite the need to engage in the active development of overseas business in the future. Using the management resources of Panasonic directly as a result of the Share Exchange, we will become able to accelerate the development of overseas business mainly in the ASEAN region with PanaHome’s design and architectural know-how, and then create new business models in major business areas such as urban development, remodeling, the age-free (elder-care) business and overseas business; and create synergies.</li> </ul> <p>(2) Effective use of Panasonic’s creditworthiness</p> <ul style="list-style-type: none"> <li>▪ We believe that we will need to implement large-scale investments by actively engaging in M&amp;A and capital and business alliances in the future. However, if we are to engage in these activities in Japan or overseas, utilizing Panasonic’s creditworthiness and management resources, rather than acting as PanaHome alone, would bring favorable opportunities and negotiating power and also help to accelerate our growth in business areas other than the domestic housing market.</li> </ul> <p>(3) Effective and prompt re-distribution of management resources across the companies of the Panasonic Group.</p> <ul style="list-style-type: none"> <li>▪ By becoming a wholly-owned subsidiary of Panasonic as a result of the Share Exchange, the management resources of the Panasonic Group will be able to be effectively and promptly redistributed to PanaHome without concerns about possible conflicts of interest, thereby enabling PanaHome to utilize such resources in its important business areas. We believe that this will improve the profitability of each section of our business, ensuring the transformation and diversification of our business model.</li> </ul> <ul style="list-style-type: none"> <li>• In addition, we believe that the Share Exchange will maximize the group’s synergies by (i) facilitating cost reductions and improved efficiency in administration through the use of common infrastructure, (ii) improved hiring of new graduates and development of the specialized human resources as a company of the PanasonicGroup, and (iii) increased access to large-scale projects utilizing Panasonic’s domestic and overseas sales channels.</li> </ul>

(End)

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No.	Question	Answer
3	Please state the reason why you believe that the current capital relationship with Panasonic is not sufficient and you need to become a wholly-owned subsidiary.	<ul style="list-style-type: none"><li>• As stated in the answer to Question No.2, in order for PanaHome to deal with medium to long term management challenges in terms of brand strategies, large-scale investment, and reallocating management resources, it is desirable to increase our corporate value in the medium to long term, rather than focusing on the risk of short-term negative effects on profitability. As an independently listed company, it has been difficult for PanaHome to take adequately bold or quick measures, but the implementation of the Share Exchange will enable PanaHome to do so.</li><li>• If PanaHome remains independent as a listed company, the interests of PanaHome and that of Panasonic will not necessarily align. In particular, Panasonic and PanaHome have had a supplier-customer relationship with respect to housing materials due to the characteristics of each business, and the conflict of interest between the two companies is quite apparent in this respect. By becoming a wholly-owned subsidiary of Panasonic, our interests will be aligned and we will have more access to Panasonic resources, as stated in Answer to Question No. 2. In order for PanaHome to deal with medium to long term management challenges forcefully, we believe that we will need to utilize the resources of Panasonic more than ever.</li><li>• The Special Committee (discussed in Section III below) also considered the two above-mentioned issues, and acknowledged their importance.</li><li>• After the announcement of the Share Exchange on December 20, 2016, PanaHome and Panasonic established the “Growth Strategy Reviewing Committee” and have been discussing how we can cooperate to pursue further growth after PanaHome becomes a wholly-owned subsidiary of Panasonic. The discussion includes various specific themes, for example how we could engage customers by combining a PanaHome show home and a Panasonic showroom.</li></ul>

(End)

No.	Question	Answer
4	Please give a summary of the decision-making processes regarding the Share Exchange.	<ul style="list-style-type: none"> <li>• As stated in our press release dated December 20, 2016, because the Share Exchange constitutes a transaction with a controlling shareholder of PanaHome, from an early stage of deliberating the Share Exchange, PanaHome, in accordance with the advice of our legal advisor, took the following measures to ensure the fairness of the Share Exchange and to avoid conflicts of interest between the controlling shareholder and minority shareholders, and PanaHome decided to implement the Share Exchange and determined the conditions thereof in a careful manner.               <ol style="list-style-type: none"> <li>(1) Received a valuation report with regard to share exchange ratio from SMBC Nikko Securities Inc., (“SMBC Nikko”) an independent third-party valuation institution;</li> <li>(2) Received legal advice from Mori Hamada &amp; Matsumoto, an independent law firm;</li> <li>(3) Established the Special Committee, whose members are independent of PanaHome and Panasonic, and received the Response to Referrals to Special Committee (toshinsho) that stated to the effect that it is reasonable for PanaHome to implement the Share Exchange; and</li> <li>(4) Excluded officers and employees who may have an interest in Panasonic from the deliberations and the decision was made pursuant to unanimous approval of directors and company auditors with no interest in Panasonic.</li> </ol> </li> </ul> <p style="text-align: right;">(End)</p>
5	How did the negotiations with Panasonic proceed?	<ul style="list-style-type: none"> <li>• Between November 28, 2016 and December 16, 2016 and based on SMBC Nikko’s calculation of share exchange ratio and their financial advice, PanaHome negotiated in good faith with Panasonic on 13 occasions.</li> <li>• The Special Committee also gave PanaHome suggestions multiple times at important stages of negotiation, and finally PanaHome agreed to the Share Exchange Ratio which represents a considerable increase in share exchange ratio in favor of PanaHome compared to the terms originally proposed by Panasonic.</li> <li>• Makoto Hatakeyama, a representative director of PanaHome with no interest in Panasonic, led the negotiations for PanaHome. No director or employee who worked for or had an interest in Panasonic was involved in the negotiations.</li> </ul> <p style="text-align: right;">(End)</p>

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No.	Question	Answer
6	Please describe how the discussion was held at the Board of Directors meeting at which the Share Exchange was resolved.	<ul style="list-style-type: none"><li>• At the Board of Directors meeting held on December 20, 2016 where it was decided to conduct the Share Exchange, the five directors present discussed and resolved to conduct the Share Exchange while four directors who also serve as managers or employees of Panasonic (Mr. Matsushita, Mr. Teranishi, Mr. Hamatani and Mr. Watabe) did not participate in the resolution .</li><li>• At the Board of Directors meeting mentioned above, Mr. Arita, an outside company auditor and also a member of the Special Committee, explained the activities of the Special Committee and the details of the Response to Referral (toshinsho). The directors and auditors stated their opinions, and after discussing the issue, the execution of the Share Exchange Agreement was approved by the unanimous vote of the five directors present, which excluded those who also serve as managers or employees of Panasonic. Three company auditors unanimously stated no objection with respect to the implementation of the Share Exchange.</li></ul>

(End)

No.	Question	Answer						
7	Please explain the eligibility and independence of members of Special Committee.	<ul style="list-style-type: none"> <li>The Special Committee consisted of the following four members</li> </ul> <table border="1"> <tbody> <tr> <td data-bbox="731 279 922 604">Mr. Naoto Terakawa</td> <td data-bbox="922 279 1900 604"> <p>Mr. Terakawa has broad management experience as a director and an executive officer in various companies. PanaHome appointed Mr. Terakawa to be our outside company director for him to reflect his extensive career and knowledge to the management of PanaHome.</p> <p>Mr. Terakawa qualifies as “Outside Director” under the Companies Act, and is also independent in light of PanaHome’s “Standards for Determining the Independence of Independent Directors/Auditors (Note),” and we have submitted his name as an “Independent Officer” to the Tokyo Stock Exchange.</p> </td> </tr> <tr> <td data-bbox="731 604 922 889">Mr. Katsuhiko Arita</td> <td data-bbox="922 604 1900 889"> <p>PanaHome appointed Mr. Arita as our outside company auditor because he has extensive knowledge and experience in finance and accounting, after having been engaged in auditing service as a certified public accountant for many years.</p> <p>Mr. Arita qualifies as “Outside Company Auditor” under the Companies Act, and is also independent in light of PanaHome’s “Standards for Determining the Independence of Independent Directors/Auditors (Note),” and we have also submitted his name as an “Independent Officer” to the Tokyo Stock Exchange.</p> </td> </tr> <tr> <td data-bbox="731 889 922 1210">Mr. Takashi Goto</td> <td data-bbox="922 889 1900 1210"> <p>Mr. Goto is an attorney-at-law at STW &amp; Partners who has broad experience in the field of M&amp;A. Mr. Goto neither has nor has had a relationship with or any other interest in PanaHome or Panasonic, and he is an independent outside expert.</p> <p>In the past, Mr. Goto worked for the independent law firm that currently advises PanaHome in relation to the Share Exchange, but it had been almost eight and half years since Mr. Goto left that firm and, considering the fact that the said law firm and the firm he currently works for have a competitive relationship, we have determined that this will not affect the independence of Mr. Goto.</p> </td> </tr> </tbody> </table>	Mr. Naoto Terakawa	<p>Mr. Terakawa has broad management experience as a director and an executive officer in various companies. PanaHome appointed Mr. Terakawa to be our outside company director for him to reflect his extensive career and knowledge to the management of PanaHome.</p> <p>Mr. Terakawa qualifies as “Outside Director” under the Companies Act, and is also independent in light of PanaHome’s “Standards for Determining the Independence of Independent Directors/Auditors (Note),” and we have submitted his name as an “Independent Officer” to the Tokyo Stock Exchange.</p>	Mr. Katsuhiko Arita	<p>PanaHome appointed Mr. Arita as our outside company auditor because he has extensive knowledge and experience in finance and accounting, after having been engaged in auditing service as a certified public accountant for many years.</p> <p>Mr. Arita qualifies as “Outside Company Auditor” under the Companies Act, and is also independent in light of PanaHome’s “Standards for Determining the Independence of Independent Directors/Auditors (Note),” and we have also submitted his name as an “Independent Officer” to the Tokyo Stock Exchange.</p>	Mr. Takashi Goto	<p>Mr. Goto is an attorney-at-law at STW &amp; Partners who has broad experience in the field of M&amp;A. Mr. Goto neither has nor has had a relationship with or any other interest in PanaHome or Panasonic, and he is an independent outside expert.</p> <p>In the past, Mr. Goto worked for the independent law firm that currently advises PanaHome in relation to the Share Exchange, but it had been almost eight and half years since Mr. Goto left that firm and, considering the fact that the said law firm and the firm he currently works for have a competitive relationship, we have determined that this will not affect the independence of Mr. Goto.</p>
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(To be continued next page)

No.	Question	Answer		
7	Please explain the eligibility and independence of members of Special Committee.	<p>(From previous page)</p> <table border="1"> <tr> <td data-bbox="731 277 922 549">Mr. Akira Sakata</td> <td data-bbox="922 277 1900 549">Mr. Sakata previously worked for a major accounting firm and engaged in auditing and M&amp;A advisory services. Mr. Sakata is a certified public accountant (in Japan and the State of Washington) and tax accountant at Akira Sakata Certified Public Accountant Office with extensive knowledge and experience in share value calculation and domestic or foreign financial due diligence. Mr. Sakata neither has nor has had a relationship with or any other interest in PanaHome or Panasonic, and he is an independent outside expert.</td> </tr> </table>	Mr. Akira Sakata	Mr. Sakata previously worked for a major accounting firm and engaged in auditing and M&A advisory services. Mr. Sakata is a certified public accountant (in Japan and the State of Washington) and tax accountant at Akira Sakata Certified Public Accountant Office with extensive knowledge and experience in share value calculation and domestic or foreign financial due diligence. Mr. Sakata neither has nor has had a relationship with or any other interest in PanaHome or Panasonic, and he is an independent outside expert.
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Note: The following is PanaHome’s “Independence Standards for Outside Officers.” These Standards have been made public in our disclosed Corporate Governance Report.

- The Outside Directors and Outside Company Auditors (collectively Outside Officers) of PanaHome must not fall under any of the conditions below in order to be considered independent.
1. An executive (Note 1) of PanaHome and its subsidiaries (Note 2) (collectively the Group)
  2. An entity which has the Group as a major trading partner (Note 3) or an executive of such an entity
  3. A major trading partner of the Group (Note 4) or an executive of such a major trading partner
  4. A major shareholder in PanaHome (a shareholder that directly owns 10% or more of the total voting rights) or an executive or company auditor of such a major shareholder
  5. An executive or company auditor of another company with the same parent company as PanaHome (Note 2)
  6. An entity in which 10% or more of total voting rights are directly owned by the Group, or an executive or company auditor of such an entity
  7. A person affiliated with the audit firm that is the Group's Accounting Auditor
  8. An attorney, certified public accountant, tax accountant, consultant, or other who receives large amounts (Note 5) of cash or other economic benefits in addition to compensation from the Group as an Outside Officer

(To be continued next page)

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No.	Question	Answer
7	Please explain the eligibility and independence of members of Special Committee.	<p>(From previous page)</p> <div style="border: 1px dashed gray; padding: 10px;"> <ol style="list-style-type: none"> <li>9. A person affiliated with a group such as a corporation or union, including a law firm, an auditing firm, a tax accountants' corporation, a consulting firm, or other that receives large amounts (Note 5) of cash or other economic benefits from the Group</li> <li>10. A person or a trustee or executive of a group, such as a corporation or union, that receives large amounts (Note 5) of donations or grants from the Group</li> <li>11. In the event that an Executive Director or Company Auditor of the Group serves concurrently as an outside director or outside company auditor at another company, a person who is an executive director, executive officer, operating officer, manager, or other employee of such an other company concerned</li> <li>12. A person to whom 1. through 11. above have applied in the past three years</li> <li>13. In the event that a person to whom 1. through 12. above have applied in the past three years is a key person (Note 6), the spouse or a second-degree or closer relative of such a person</li> </ol> <p>Notes:</p> <ol style="list-style-type: none"> <li>1. An executive refers to an executive director, executive officer, operating officer, employee who executes operations, trustee, and other equivalent person and employee of a corporation and other entities.</li> <li>2. Parent company and its subsidiaries refer to entities stipulated in Article 8, Paragraph 3 of the Ordinance on Financial Statements, etc.</li> <li>3. An entity with the Group as a major trading partner refers to an entity that has received at least 12 million yen annually from the Group and such payments is at least 2% of that entity's annual consolidated net sales in the most recent fiscal year.</li> <li>4. A major trading partner of the Group refers to an entity which has made payments to the Group of an amount that is at least 2% of PanaHome's consolidated net sales in the most recent fiscal year as well as an entity that has loaned the Group an amount that is at least 2% of PanaHome's consolidated total assets at the end of the most recent fiscal year.</li> </ol> </div>

(To be continued next page)

No.	Question	Answer
7	Please explain the eligibility and independence of members of Special Committee.	<p>(From previous page)</p> <div style="border: 1px dashed gray; padding: 10px;"> <ol style="list-style-type: none"> <li data-bbox="747 294 1877 415">5. Large amounts refer to at least 12 million yen per year on the average of the total amount over the past three fiscal years in the case of an individual and at least 12 million yen per year and more than 2% of consolidated net sales or total revenue for the relevant group on the average of the total amount over the past three fiscal years in the case of a corporation or union.</li> <li data-bbox="747 434 1877 522">6. A key person refers to a director (excluding outside directors), a company auditor (excluding outside company auditors), an executive officer, and an employee in an upper management position at general manager grade or higher.</li> </ol> </div> <p>Note: “Independent Director/Auditor” means an outside director or outside company auditor who is unlikely to have conflicts of interest with general investors and must be appointed by a listed company in order to protect ordinary shareholders in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.</p> <ul style="list-style-type: none"> <li data-bbox="689 739 1831 839">• As explained above, each member of the Special Committee is independent of both PanaHome and Panasonic, has sufficient experience and knowledge to respond to questions regarding the Share Exchange, and is an appropriate person to be a member of the Special Committee.</li> </ul> <p style="text-align: right;">(End)</p>

No.	Question	Answer
8	What were the activities of the Special Committee established by PanaHome in connection with the Share Exchange?	<ul style="list-style-type: none"> <li>• The Special Committee was established by a resolution at PanaHome’s Board of Directors meeting held on November 14, 2016. In considering the Share Exchange, PanaHome referred the following matters to the Special Committee: (i) whether the Share Exchange will enhance PanaHome’s corporate value, (ii) whether the determination of the Share Exchange has been conducted using fair procedures, giving due consideration so as not to undermine the interest of the minority shareholders of PanaHome, and (iii) whether, based on the foregoing, the PanaHome Board of Directors should approve the execution of the Share Exchange Agreement with Panasonic. The Special Committee met eight times between November 16, 2016 and December 19, 2016, and submitted the Response to Referrals to Special Committee (toshinsho) to the PanaHome Board of Directors.</li> <li>• The following are the main activities of the Special Committee:               <ol style="list-style-type: none"> <li>(1) Examination of documents disclosed by PanaHome and interviews with representative director and personnel of PanaHome;</li> <li>(2) Interviews with officers-in-charge at Panasonic;</li> <li>(3) Examination and review of a valuation report with regard to share exchange ratio submitted by SMBC Nikko and interviews with SMBC Nikko;</li> <li>(4) Consultation and instruction to PanaHome regarding the negotiations with Panasonic</li> <li>(5) Interviews with legal advisors;</li> <li>(6) Discussion and review among members of the Special Committee; and</li> <li>(7) Preparation of the Response to Referrals to Special Committee (toshinsho) for the PanaHome Board of Directors.</li> </ol> </li> </ul>

(End)



No.	Question	Answer
9	Please give an outline of the decision of Special Committee (Response to Referral).	<ul style="list-style-type: none"> <li>• The PanaHome Board of Directors received the following response from the Special Committee.               <ol style="list-style-type: none"> <li>(1) The Share Exchange will enhance PanaHome’s corporate value, and PanaHome has made no obviously irrational judgments in determining to that effect, considering that: (i) the necessity of the Share Exchange is acknowledged given that the majority of PanaHome’s profit comes from the Japanese housing business, which is projected to decline in the medium to long term, making it PanaHome’s most important challenge to maintain or increase domestic sales and profit and expand overseas business; (ii) the implementation of the post-Share Exchange strategy can be viewed as contributing to PanaHome’s overcoming its business challenges; (iii) the expected disadvantages can be viewed as minor; and (iv) no effective alternative to the Share Exchange is apparent.</li> <li>(2) All decisions with respect to the Share Exchange, including the determination of the Share Exchange Ratio, were made using fair procedures, giving due consideration so as not to undermine the interest of the minority shareholders of PanaHome, considering that: (i) in determining the Share Exchange Ratio, PanaHome’s secretariat, consisting of persons who have no interest in the Share Exchange, negotiated multiple times on the basis of non-arbitrary valuations by the independent third-party valuation institution and due diligence and with the advice of the financial advisor and the recommendations of the Special Committee, and obtained more advantageous terms than were originally offered by Panasonic; (ii) the specific the Share Exchange Ratio determined is within the range of exchange ratios set out in the Valuation Report and is in line with the average premium offered in similar cases, demonstrating concern for minority shareholders’ expected acquisition price and the appropriateness of the consideration offered; and (iii) other fair procedures have been performed giving due consideration to the interest of shareholders, including the establishment of the Special Committee.</li> <li>(3) In light of the above, it is reasonable for PanaHome’s board of directors to approve the execution of the Share Exchange Agreement.</li> </ol> </li> </ul>

(End)

No.	Question	Answer
10	What sort of methodologies did SMBC Nikko adopt for the calculation of share exchange ratio?	<ul style="list-style-type: none"> <li>• SMBC Nikko calculated share exchange ratio for the Share Exchange by adopting three methodologies with respect to PanaHome, (1) Market Price Analysis, (2) Comparable Company Analysis and (3) DCF Analysis, and by adopting the Market Price Analysis with respect to Panasonic. The details of these three methodologies of valuation are as follows.               <ol style="list-style-type: none"> <li>(1) Under the Market Price Analysis, the calculation is based upon the actual share prices applied to the trading on the financial instruments exchanges. The Market Price Analysis is widely used to determine the ratio of share exchange conducted among listed companies.</li> <li>(2) Under the Comparable Company Analysis, first a peer group of similar public companies is established, and then the share value is determined by comparing the subject company with its peers, using multiples (ratios) to some firm-specific variables. The calculation of share exchange ratio is based upon the multiples to four variables, namely (i) EV/EBIT multiple, (ii) EV/EBITDA multiple, (iii) PER and (iv) PBR (price book-value) ratio. The EV/EBIT multiple or EV/EBITDA multiple is the ratio of enterprise value (= market capitalization + net debt (= interest-bearing debt - cash and deposits)) to the value of net cash flow generated by a company in one year, while PER is an indicator that compares the market value of a stock to the net income per share and PBR is an indicator that compares the market value of a stock to the value of net assets per share. All of these multiples are widely used to determine a share exchange ratio as well as stock value.</li> <li>(3) DCF (discounted cash flow) Analysis is a valuation method used to estimate the share value by discounting the future cash flows generated by a company to arrive at a present value estimate. DCF Analysis is also widely used for the calculation of share exchange ratio as well as share value.</li> </ol> </li> <li>• According to SMBC Nikko, they adopted the three methodologies for the following reasons: (1) with respect to Market Price Analysis, because PanaHome is listed on the Tokyo Stock Exchange and the market price is available; (2) with respect to Comparable Company Analysis, because there are several similar listed companies that carry on relatively comparable business with PanaHome and analogical reasoning is possible by comparing similar companies; and (3) with respect to DCF Analysis, because the future business activities of PanaHome can be reflected in the valuation through this approach.</li> </ul>

(To be continued next page)

No.	Question	Answer
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10 What sort of methodologies did SMBC Nikko adopt for the calculation of share exchange ratio?

(From previous page)

- The following are the share exchange ratios calculated by SMBC Nikko based upon the said three approaches.

(1) Market Share Price Analysis	0.68 ~ 0.73
(2) Comparable Companies Analysis	0.55 ~ 1.19
(3) DCF Analysis	0.66 ~ 1.27

(End)

11 Why did SMBC Nikko conduct a comparable company analysis through four approaches?

- According to SMBC Nikko, there are two approaches in the valuation of companies through Comparable Company Analysis i.e. (x) an approach generally adopted in M&A and (y) an important approach of valuation widely used for the housing industry to which PanaHome belongs (mentioned later). SMBC Nikko explains that they opted for the former approach marked (x) based upon EV/EBIT multiple and EV/EBITDA multiple, as well as the latter approach marked (y) based on PER and PBR in order to exclude the possibility of using discretion and to ensure the multiplicity of analyses.
- SMBC Nikko checked 81 analyst reports (equity research reports) on housing companies in Japan and North America written by security analysts of investment banks or brokerage firms worldwide, including Japan, to find that almost 90% of the reports adopted PER or PBR, or the combination of both in order to estimate the share value, while the remaining 10% adopted other types of approach such as residual income model. Based on these findings, SMBC Nikko determined that PER and PBR are widely accepted indicators for the analysis of housing companies including PanaHome and that it is appropriate to adopt these two approaches based upon PER and PBR in addition to EV/EBIT multiple and EV/EBITDA multiple.

(End)

No.	Question	Answer
12	What sort of criteria did SMBC Nikko use to select the comparable companies?	<ul style="list-style-type: none"> <li>• According to SMBC Nikko, they put emphasis on the three factors i.e. appropriate process of selecting peers, integrity and consistency of logic, objectivity of criteria, in order to establish a peer group of similar public companies in the Comparable Company Analysis and to appropriately evaluate the share value.</li> <li>• According to SMBC Nikko, they checked (1) similarity of business, (2) similarity in size of business and on top of (1) and (2), (3) non-existence of stock price anomalies and other abnormal factors, in the process of screening the comparable companies.               <ul style="list-style-type: none"> <li>(1) Similarity of business                   <p>To check the similarity of business, SMBC Nikko extracted a group of companies classified as “Property Development - Single-Family Housing” from SPEEDA, a corporate financial database operated by UZABASE, Inc. and selected from the group companies whose segment of household’s housing business makes up over 50% of their sales and earnings. Accordingly, listed companies in the housing business industry to which PanaHome belongs were excluded from the peer group when their business structures are different from PanaHome in terms of the ratio of sales and earnings.</p> </li> <li>(2) Similarity in size of business                   <p>As for the similarity in size of business, SMBC Nikko deemed the sales figures to be an appropriate criteria in the selection of peer companies and therefore excluded the listed companies whose sales revenues are unnaturally small or large in comparison with PanaHome in order to select a proper samples of companies whose positions in the industry are similar to PanaHome.</p> </li> <li>(3) Non-existence of stock price anomalies and other abnormal factors or conditions                   <p>On top of above mentioned (1) and (2), SMBC Nikko checked if there is any anomaly that may impact the stock price formation concerning the selected listed companies, such as announcement of a tender offer. Also, SMBC Nikko checked if the indicators relating to the stock trading such as ratio of making contracts or float turnover are unnaturally low in the market.</p> </li> </ul> </li> </ul>

(To be continued next page)

No.	Question	Answer
12	What sort of criteria did SMBC Nikko use to select the comparable companies?	<p>(From previous page)</p> <p>Through these processes, four companies (Sumitomo Forestry Co., Ltd., Open House Co., Ltd., Mitsui Home Components Co., Ltd. and Tama Home Co., Ltd.) were selected as peers for the calculation of share exchange ratio.</p> <ul style="list-style-type: none"> <li>Concerning the selection of peers, one of the frequently asked questions is about the reason why Daiwa House Industry Co., Ltd. and Sekisui House, Ltd. were not included in the peer group. According to SMBC Nikko, these two companies were excluded because they failed to meet the criteria of (1) and (2). Specifically, they have not met the criteria of similarity of business because over 50% of their sales and earning comes from segments different from PanaHome’s business, and their size of business is extremely different. Accordingly it is understood that the position of these two companies in the industry does not match that of PanaHome.</li> </ul> <p style="text-align: right;">(End)</p>
13	Please explain the real estate valuation in the calculation of share exchange ratio.	<ul style="list-style-type: none"> <li>Most of the real estate assets of PanaHome are real estate for sale or inventories in the normal operating cycle. Nikko SMBC has calculated share exchange ratio based upon the business plan of PanaHome that reflects the valuation of these assets in an appropriate manner as a basis of sales figures and cost in the future.</li> <li>According to SMBC Nikko, the real estate valuation is based upon the going concern principle, not on a breakup value basis. For this reason, they didn’t take the approach of real estate valuation at market price based on the assumption that PanaHome is selling off business-use real estate such as display home villages or real estate inventories in a manner deviating from the normal operating cycle.</li> </ul> <p style="text-align: right;">(End)</p>

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No.	Question	Answer
14	Please explain the nature of the cash and deposits held by PanaHome.	<ul style="list-style-type: none"> <li>• As of the end of December 2016, PanaHome held 97.5 billion yen of cash and deposits under “Cash and cash equivalents” and “Deposit paid in subsidiaries and associates.” However, it should not be understood that all of such cash and deposits are surplus funds. We need to set aside a significant part of this as working capital and for other purposes required in PanaHome’s business operations for the following reasons.               <ul style="list-style-type: none"> <li>(1) Working capital needs                   <p>Under the prevailing business customs in Japan, custom-built detached houses, our core product, are delivered semi-annually, especially at the end of March, and payments are made instantaneously against delivery of houses. In this cycle, the balance of PanaHome’s cash and deposits generally peaks at the end of each semi-annual period. However, the balance goes down as PanaHome makes payments of costs such as construction materials. In addition, the balance also decreases due to the payment of dividends and taxes. On balance, we assume that the amount of working capital to meet these requirements is about 40 billion yen per year at a peak period from our experience. As such, the balance of cash and deposits described in PanaHome’s disclosure materials is at its peak at the end of March, and it can decrease by around 40 billion yen due to the payment of said items.</p> </li> </ul> </li> </ul>

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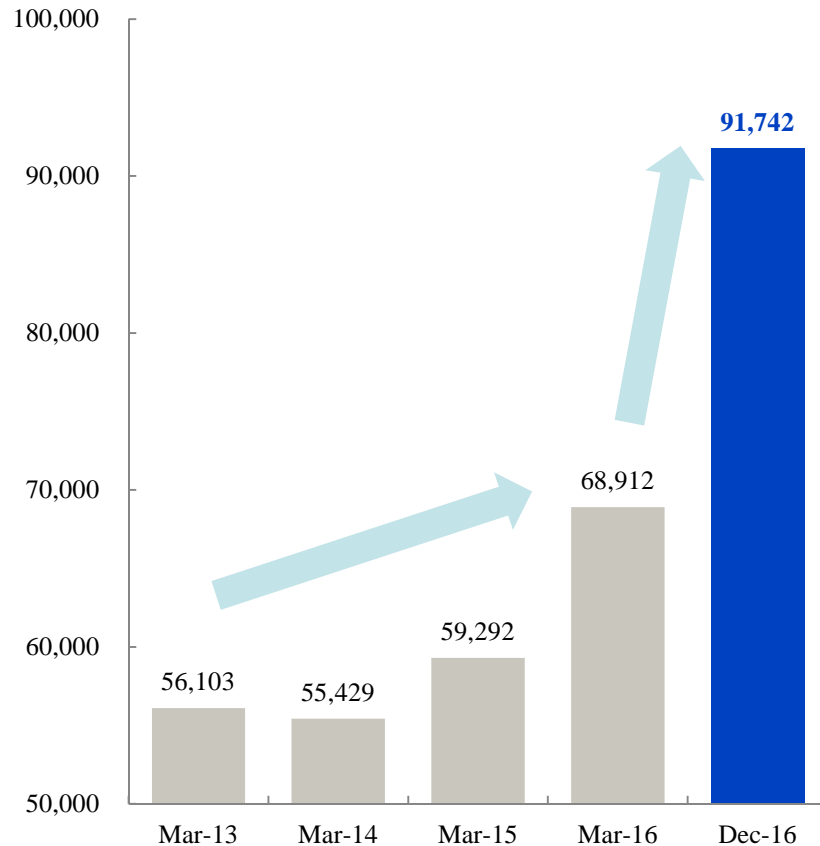
No.	Question	Answer
14	Please explain the nature of the cash and deposits held by PanaHome.	<p data-bbox="685 225 897 251">(From previous page)</p> <p data-bbox="727 272 1728 301">(2) Upfront investment towards enhancement of businesses that PanaHome is focusing on</p> <p data-bbox="762 322 1908 1093">As explained in the press release on December 20, 2016, because PanaHome’s current main business of custom-built detached houses is expected to face the downward trend in the number of new housing due to the demographic changes in Japan, it is an urgent task for the Companies to establish pillars of revenue that follow the custom-built detached house business. Towards this goal, PanaHome is endeavoring to enhance the business areas of “urban development (selling real-estate lots)” and “residential stock (home remodeling &amp; renovation).” In the urban development business of selling real-estate lots, it requires about 2.5 years to go through an investment cycle starting from the initial process of land acquisition, followed by the construction of detached houses or apartments, through the final stage of investment recovery by selling products to household buyers. In the initial stage of expansion of the urban development business, namely the stage of enhancing land acquisition, the amount of cash and deposits would decrease. The scale of cash outflow is expected to reach somewhere on the order of tens of billions of yen, taking into account the huge cost for the acquisition of land that features proper size and good access, for the development of condos or so called smart towns. Therefore, PanaHome needs to retain a significant amount of cash and deposits in hand in order to sustain growth of the urban development business, a key business that would drive revenue growth in the future. Investors can confirm this fact from the disclosure materials of PanaHome. For instance, the amount of “real estate for sale in process” increased by 22.8 billion yen in the 9-month period from the end of March 2016 to the end of December 2016 (see the attached Sheet 1), while the balance of cash and deposits decreased by 28.3 billion yen in the same period. PanaHome plans to further expand the business of selling real-estate lots and continue to invest in real estates for sale at a high level.</p> <p data-bbox="762 1115 1897 1325">As stated in PanaHome’s press release on November 30, 2015, PanaHome’s remodeling services subsidiary, Panasonic Home Renovation Co., Ltd. (formerly PanaHome Reform Co., Ltd.) accepted a cash contribution from Panasonic in order to raise funds necessary for the upfront investment. In this context, the subsidiary has been pushing ahead with the strategic measures such as enhancement of brand strategy, expansion of display home villages, enrichment of human resources through new hiring and expansion of advertising activities.</p> <p data-bbox="1850 1300 1908 1326">(End)</p>

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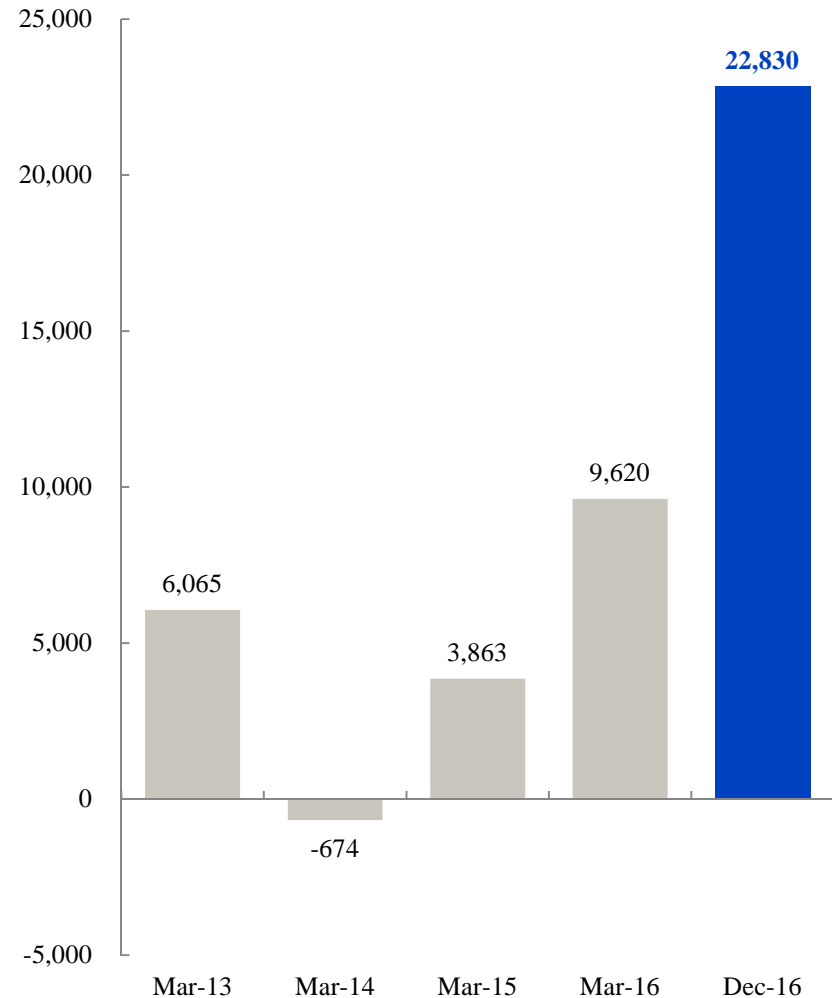
## <For reference> Real estate for sale in process

The amounts of real estate for sale in process ("RESP") at the end of each fiscal year are as follows. It indicates that PanaHome has greatly augmented the amount of RESP for the last 9 months.

RESP at fiscal year ends (in million JPY)



Increment / Decrement of RES (in million JPY)



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No.	Question	Answer
15	What is the position of cash and deposits in the process of calculating share exchange ratio?	<ul style="list-style-type: none"> <li>• According to SMBC Nikko, the cash and deposits are reflected appropriately in the calculation of share exchange ratio, while the method differs depending on the approach of valuation.               <ol style="list-style-type: none"> <li>(1) DCF Analysis                   <p>In the process, cash and deposits are categorized to into two separate items i.e. the working capital needed for the business operation (see (1) of the answer No.14), and the funds available for other purposes. The latter was added to the value in the process of calculating share exchange ratio. At the same time, the funds set aside for the purpose of land acquisition etc. in the business of selling real-estate lots (see (2) of the answer No.14) are dealt with as an outflow of cash in the period of business plan.</p> </li> <li>(2) Comparable Company Analysis                   <p>The calculation of EV/EBIT and EV/EBITDA multiples fully reflects the balance of cash and deposits of PanaHome. In the Comparable Company Analysis, balance sheet figures are directly used for the purpose of comparing with peers. As such, share exchange ratio in this case was calculated based upon the actual figures for cash and deposits stated on PanaHome’s balance sheet in order to ensure the consistency of criteria. On the other hand, it is understood that the analysis of PER and PBR does not reflect specific figures of cash and deposits directly, as PER is a multiple based upon a company’s profitability, and PBR is a ratio of stock price to net assets that a company has accumulated as a going concern. In the case of PBR, cash and deposits of a company are valued as part of its assets and reflected indirectly in the value of net assets, although there is no formula that includes cash and deposits explicitly in the process of calculation.</p> </li> <li>(3) Market Share Price Analysis                   <p>Stock price formation through trading in the stock market reflects various factors such as business environment, financial results, and dividend pay-out in a comprehensive manner. It should be quite appropriate to assume that investors’ opinions on the balance of cash and deposits are also reflected in the stock price formation.</p> </li> </ol> </li> </ul>

(End)

No.	Question	Answer
16	Please explain the scheme of money on deposit in Panasonic. What is the purpose?	<ul style="list-style-type: none"> <li>• The money-on-deposit scheme between Panasonic and PanaHome is an arrangement which was particularly and carefully designed for PanaHome taking into account of the status of PanaHome as a subsidiary listed on a public venue of stock exchange in accordance with the advice of lawyers. Under the cash-on-deposit scheme, Panasonic is to pay interests to PanaHome at an appropriate rate in comparison with market interest rates and PanaHome is allowed to withdraw from the deposit whenever it needs money.</li> <li>• As explained in the answer to the above question No.14, PanaHome needs to retain a significant amount of cash and deposits at hand to meet funding needs. In this context, this money-on-deposit arrangement is a cash-management scheme that offers a number of benefits to PanaHome, including the flexibility of withdrawing money and interest on deposits. We believe that its contribution to PanaHome and the shareholders of PanaHome is not small.</li> <li>• As stated in the answer to the above question No.15, the funds deposited in Panasonic using this scheme are reflected in the calculation of share exchange ratio in an appropriate manner.</li> </ul>

(End)

No.	Question	Answer
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- 17 Please show the level of premium in the Share Exchange Ratio.
- The table below shows the level of premiums that are calculated from the closing price of Panasonic and PanaHome on the business day immediately prior to the date of the announcement of the Share Exchange and the one-month average of closing prices prior to the date of the announcement of the Share Exchange.

	Panasonic Stock Price	PanaHome Stock Price	PanaHome Theoretical Price*1	Premium
Closing price on the business day immediately prior to the date announcement	1,281 yen	855 yen	1,024.8 yen	19.9%
One-month average	1,201.8 yen	815.0 yen	961.4 yen	18.0%

\*1 : Theoretical stock price of PanaHome = Panasonic Stock Price × 0.80 (the Share Exchange Ratio)

- We understand that the level of the premiums stated in the above table is sufficiently high in comparison with other similar transactions. SMBC Nikko has reviewed the group of 37 transactions (see P.31, 32) of making a listed subsidiary a wholly-owned subsidiary, conducted in the period from January 1, 2013 to December 19, 2016 (the day immediately before the announcement date), and identified the group of seven highly comparable cases (items highlighted in light blue in P.31, 32). The table below shows the premium in mean and median based upon the one-month average of stock prices immediately prior to the date of the announcement of the Share Exchange for each of these two groups.

	Number of cases	Premium Mean	Premium Median
Sample (37 cases on P.31, 32)	37 cases	14.4%	13.3%
Case deemed highly comparable	7 cases	11.0%	12.7%

\*2 : According to SMBC Nikko, seven highly comparable cases were extracted by identifying the factors that may impact the premium, through the analysis of a subsidiary in terms of stock liquidity, market capitalization, sales turnover, earnings, general market environment at the time of announcement, shareholding ratio of the parent company before the share exchange, venue of listing. (End)

## Share exchanges with listed subsidiary companies since 2013

Announce Date	Parent Companies	Subsidiary Companies
March 19, 2013	Asunaro Aoki Construction Co., Ltd.	Aoki Marine Co., Ltd.
April 23, 2013	Nidec Corporation	Nidec Copal Corporation
April 23, 2013	Nidec Corporation	NIDEC TOSOK CORPORATION
April 26, 2013	NIPPON STEEL & SUMITOMO METAL CORPORATION	SUMITOMO PIPE & TUBE CO.,LTD.
May 9, 2013	Zeon Corporation	TOHPE CORPORATION
May 10, 2013	Ube Industries, Ltd.	Ube Material Industries, Ltd.
November 12, 2013	NIPPON SIGNAL CO., LTD.	Nisshin Electronics Service Co.,Ltd.
November 28, 2013	Hitachi Zosen Corporation	NICHIZO TECH INC.
December 20, 2013	NIPPON GAS CO., LTD.	Higashinohon Gas Corporation
December 20, 2013	NIPPON GAS CO., LTD.	Shinnihon Gas Corporation
March 20, 2014	Takasago Thermal Engineering Co., Ltd.	MARUSEI CO., LTD.
April 22, 2014	Nidec Corporation	NIDEC-READ CORPORATION
April 22, 2014	Nidec Corporation	NIDEC COPAL ELECTRONICS CORPORATION
May 9, 2014	USHIO INC.	ADTEC Engineering Co.,Ltd.
May 9, 2014	H2O Retailing Corporation	KAZOKUTEI CO., LTD.
May 26, 2014	Hikari Tsushin, Inc.	PION CO., LTD.
September 24, 2014	AEON CO., LTD.	The Daiei, Inc.
October 10, 2014	EPS Corporation	EP-Mint Co., Ltd.
February 3, 2015	Panasonic Corporation	Panasonic Information Systems Co., Ltd.
February 12, 2015	Tokyo Tatemono Co., Ltd.	Tokyo Tatemono Real Estate Sales Co., Ltd.
March 10, 2015	PAL. CO., LTD.	NICE CLAUP CO., LTD.

Note: Light blue deals are considered comparable deals with this case.

Source: Respective press releases

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## Share exchanges with listed subsidiary companies since 2013 (cont'd)

Announce Date	Parent Companies	Subsidiary Companies
March 16, 2015	Credit Saison Co., Ltd.	JPN Holdings Company, Limited
March 17, 2015	YASKAWA Electric Corporation	YE Data Inc.
April 28, 2015	NIPPON STEEL & SUMITOMO METAL CORPORATION	NIPPON STEEL & SUMIKIN TEXENG.CO.,LTD.
April 28, 2015	NIPPON STEEL & SUMITOMO METAL CORPORATION	SUZUKI METAL INDUSTRY CO., LTD.
May 12, 2015	Nippon Soda Co., Ltd.	Sanwa Soko Co., Ltd.
May 13, 2015	Heiwa Corporation	PGM Holdings K.K.
May 21, 2015	NS UNITED KAIUN KAISHA, LTD.	NS UNITED NAIKO KAIUN KAISHA, Ltd.
October 30, 2015	Hitachi Zosen Corporation	Ohnami Corporation
November 30, 2015	THE JAPAN STEEL WORKS, LTD.	MEIKI CO., LTD.
November 30, 2015	IZUMI Co.,Ltd.	SuperDaiei Corporation
January 29, 2016	Murata Manufacturing Company, Ltd.	TOKO, INC.
January 29, 2016	Toyota Motor Corporation	Daihatsu Motor Co., Ltd.
February 10, 2016	ODAWARA ENGINEERING CO.,LTD.	ROYAL ELECTRIC CO., LTD.
August 3, 2016	OPTEX CO.,LTD.	OPTEX FA CO., LTD.
August 4, 2016	Nippon Flour Mills Company, Limited	Tofuku Flour Mills Co., Ltd.
September 14, 2016	Mitsubishi Chemical Corporation (Triangular share exchange using shares of its wholly owning parent company, Mitsubishi Chemical Holdings Corporation)	Nippon Kasei Chemical Company Limited

Note: Light blue deals are considered comparable deals with this case.

Source: Respective press releases

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No.	Question	Answer
18	What is the special committee's opinion on share exchange ratio calculated by SMBC Nikko?	<ul style="list-style-type: none"><li>The Special Committee expressed its opinion that the methodologies adopted for the calculation are generally accepted as reasonable methods and that they found no item that may suggest any chance of discretion.</li></ul>

(End)

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No.	Question	Answer
19	Did PanaHome obtain any fairness opinion concerning the Share Exchange Ratio?	<ul style="list-style-type: none"> <li>• When determining the amount of year-end dividend for the fiscal year ending March 2017, PanaHome decided to re-examine the fairness of the Share Exchange Ratio, and asked Plutus Consulting Co., Ltd. (“Plutus”), a third party consultant independent from PanaHome and Panasonic, to provide PanaHome with its opinion on the fairness of the Share Exchange Ratio. As a result, we received a fairness opinion from Plutus to the effect that the Share Exchange Ratio is fair from a financial point of view to the minority shareholders of PanaHome.</li> </ul> <p style="text-align: right;">(End)</p>
20	Please explain what sort of company Plutus is	<ul style="list-style-type: none"> <li>• Plutus is a consulting firm that provides consulting services concentrating on calculation of corporate value, such as valuation and advisory services relating to M&amp;A and consulting services relating to equity finance. Plutus established its reputation through provision of valuation services for a number of M&amp;A transactions including;               <ul style="list-style-type: none"> <li>– Acquisition of eAccess by Softbank to make eAccess a wholly-owned subsidiary where Plutus advised Softbank as a third-party valuation institution in the calculation of share exchange ratio,</li> <li>– Stock valuation at the request of Tokyo District Court in the court procedure filed against former Kanebo concerning the buy-back price of its stock, and</li> <li>– Tender offer for the management buyout of Culture Convenience Club where it advised the independent committee set up by Culture Convenience Club in the calculation of the tender offer price.</li> </ul> </li> </ul> <p style="text-align: right;">(End)</p>
21	Please explain the independence of Plutus.	<ul style="list-style-type: none"> <li>• Plutus is a third-party valuation institution independent from PanaHome and Panasonic, and does not now have and has never had capital relationship, personal relationship or business relationship between Plutus and PanaHome or Panasonic.</li> </ul> <p style="text-align: right;">(End)</p>

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No.	Question	Answer
22	Is the downward revision of the financial forecast made on October 14, 2016 related to the Share Exchange?	<ul style="list-style-type: none"> <li>• Prior to the announcement of the Share Exchange, PanaHome issued a Notice of Revision to Financial Forecasts (the “Forecast Revision”), which consisted of downward revisions to its consolidated aggregated first-half and year-end financial forecasts for the year ending March 2017. The Forecast Revision was properly issued in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange prior to the commencement of deliberations for the Share Exchange by PanaHome, and the Forecast Revision was not issued in connection with the Share Exchange nor intended for the Share Exchange.</li> <li>• The Special Committee judged, based on interviews with PanaHome staff, (i) that the Forecast Revision was prepared and disclosed by PanaHome’s accounting department before November 2, 2016 (when Panasonic proposed the Share Exchange to PanaHome) using figures that were rationally forecast based on the results for the first two quarters using ordinary quarterly accounting practices, and (ii) that because Panasonic’s influence is not apparent in the preparation of the forecasts or the timing of their disclosure, it is not plausible that the Forecast Revision was issued on the premise of the implementation of the Share Exchange etc.</li> <li>• The Share Exchange Ratio exceeds the upside of the range calculated by the market price analysis as applied to the period prior to the issuance of the Forecast Revision.</li> </ul> <p style="text-align: right;">(End)</p>
23	How much will the year-end dividend be?	<ul style="list-style-type: none"> <li>• As the Board of Directors of PanaHome announced in “Announcement of Dividends Forecasts” today, the dividend for the year ending March 2017 has been set at JPY 10. Together with JPY 11 of interim dividends, PanaHome’s surplus to be distributed for the year ending March 2017 is JPY 21 in total.</li> </ul> <p style="text-align: right;">(End)</p>

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