

Disclosure on transition to IFRS

The Company adopted IFRS in preparing its consolidated financial statements for the fiscal year ended March 31, 2017. The date of transition to IFRS is April 1, 2015.

(1) First-time adoption based on IFRS 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards" (hereinafter, the "IFRS 1") requires an entity that adopts IFRS for the first time (hereinafter, the "first-time adopter") to apply IFRS retrospectively. However, IFRS 1 provides exemptions that allow first-time adopters to voluntarily choose not to apply certain standards retrospectively and mandatory exceptions prohibiting retrospective application.

Major exemptions adopted by the Company are as follows:

1) Business combinations

A first-time adopter may choose not to apply IFRS 3, "Business Combinations" (hereinafter, the "IFRS 3") retrospectively to business combinations occurring before the date of transition to IFRS. The Company has applied this exemption and chosen not to apply IFRS 3 retrospectively to business combinations that occurred before December 21, 2009.

2) Deemed cost

For property, plant and equipment (PPE), a first-time adopter may use fair value as deemed cost as of the date of transition to IFRS. The Company has applied this exemption for certain PPE and used fair value as of the date of transition to IFRS as deemed cost.

3) Exchange differences on translation of foreign operations

A first-time adopter may choose to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS. The Company has chosen to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS.

4) Restatement of comparative information in accordance with IFRS 9

When a first-time adopter adopts IFRS from the fiscal year beginning before January 1, 2019 and chooses to early apply IFRS 9, "Financial Instruments" (amended in 2014) (hereinafter, the "IFRS 9"), it may apply the previous accounting standards without restating comparative information in accordance with IFRS 9 in the first IFRS consolidated financial statements.

The Company has applied this exemption, and recognized and measured target items under U.S. GAAP, the previous accounting standards, for the date of transition to IFRS and the fiscal year ended March 31, 2016.

(2) Reconciliation from U.S. GAAP to IFRS

In preparing the consolidated financial statements under IFRS, the Company adjusted amounts reported in the consolidated financial statements under U.S. GAAP. Effects of these adjustments on financial position, operating results and cash flows of the Company are as follows.

1) Reconciliation of equity as of the date of transition to IFRS (April 1, 2015)

Yen (millions)					
Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement differences	IFRS	Presentation under IFRS
Current assets	3,412,740	(142,603)	79,528	3,349,665	Current assets
Cash and cash equivalents	1,280,408	-	(465)	1,279,943	Cash and cash equivalents
Time deposits	18,470	(18,470)	-	-	
Trade receivables:					
Notes	79,055	(79,055)	-	-	
Accounts	937,986	54,108	13,908	1,006,002	Trade receivables
Allowance for doubtful receivables	(24,947)	24,947	-	-	
	-	120,074	45,574	165,648	Other financial assets
Inventories	762,670	-	14,295	776,965	Inventories
Other current assets	359,098	(244,207)	6,216	121,107	Other current assets
Non-current assets	2,544,207	142,603	(215,686)	2,471,124	Non-current assets
Investments and advances	313,669	(137,785)	(37,618)	138,266	Investments accounted for using the equity method
	-	135,014	2,538	137,552	Other financial assets
Property, plant and equipment, net of accumulated depreciation	1,374,831	-	(13,093)	1,361,738	Property, plant and equipment
Other assets	855,707	145,374	(167,513)	833,568	Other non-current assets
Total assets	5,956,947	-	(136,158)	5,820,789	Total assets

Yen (millions)					
Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement differences	IFRS	Presentation under IFRS
Current liabilities	2,732,800	39,348	62,365	2,834,513	Current liabilities
Short-term debt, including current portion of long- term debt	260,531	-	(96)	260,435	Short-term debt, including current portion of long- term debt
Trade payables					
Notes	236,970	(236,970)	-	-	Trade payables
Accounts	746,335	195,306	2,195	943,836	Other financial liabilities
-	-	287,623	(13,960)	273,663	Other current liabilities
Other current liabilities	1,488,964	(206,611)	74,226	1,356,579	Non-current liabilities
Noncurrent liabilities	1,231,595	(39,348)	34,583	1,226,830	
Long-term debt	712,385	-	(1,342)	711,043	Long-term debt
Other liabilities	519,210	(39,348)	35,925	515,787	Other non-current liabilities
Total liabilities	3,964,395	-	96,948	4,061,343	Total liabilities
Panasonic Corporation shareholders' equity	1,823,293	-	(287,775)	1,535,518	Panasonic Corporation stockholders' equity
Common stock	258,740	-	-	258,740	Common stock
Capital surplus	984,111	-	(331,010)	653,101	Capital surplus
Retained earnings	1,021,241	-	(187,250)	833,991	Retained earnings
Accumulated other comprehensive income (loss)	(193,251)	-	230,485	37,234	Other components of equity
Treasury stock, at cost	(247,548)	-	-	(247,548)	Treasury stock
Noncontrolling interests	169,259	-	54,669	223,928	Non-controlling interests
Total equity	1,992,552	-	(233,106)	1,759,446	Total equity
Total liabilities and equity	5,956,947	-	(136,158)	5,820,789	Total liabilities and equity

2) Reconciliation of equity as of March 31, 2016

Yen (millions)					
Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement differences	IFRS	Presentation under IFRS
Current assets	3,054,359	(220,938)	60,341	2,893,762	Current assets
Cash and cash equivalents	1,014,264	-	(1,598)	1,012,666	Cash and cash equivalents
Time deposits	146	(146)	-	-	
Trade receivables					
Notes	58,715	(58,715)	-	-	
Accounts	787,033	36,519	11,904	835,456	Trade receivables
Allowance for doubtful receivables	(22,196)	22,196	-	-	
	-	124,746	40,750	165,496	Other financial assets
Inventories	756,448	-	13,202	769,650	Inventories
Other current assets	459,949	(345,538)	(3,917)	110,494	Other current assets
Non-current assets	2,542,623	220,938	(169,299)	2,594,262	Non-current assets
Investments and advances	344,499	(145,974)	(37,858)	160,667	Investments accounted for using the equity method
	-	142,972	6,450	149,422	Other financial assets
Property, plant and equipment, net of accumulated depreciation	1,301,175	-	(12,941)	1,288,234	Property, plant and equipment
Other assets	896,949	223,940	(124,950)	995,939	Other non-current assets
Total assets	5,596,982	-	(108,958)	5,488,024	Total assets

Yen (millions)					
Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement differences	IFRS	Presentation under IFRS
Current liabilities	2,380,900	46,342	56,098	2,483,340	Current liabilities
Short-term debt, including current portion of long- term debt	21,728	-	-	21,728	Short-term debt, including current portion of long- term debt
Trade payables					
Notes	230,065	(230,065)	-	-	Trade payables
Accounts	712,179	180,867	1,881	894,927	Other current financial liabilities
-	-	285,978	(9,168)	276,810	Other current liabilities
Other current liabilities	1,416,928	(190,438)	63,385	1,289,875	Non-current liabilities
Noncurrent liabilities	1,361,768	(46,342)	42,025	1,357,451	Long-term debt
Long-term debt	704,191	-	(1,078)	703,113	Other non-current liabilities
Other non-current liabilities	657,577	(46,342)	43,103	654,338	
Total liabilities	3,742,668	-	98,123	3,840,791	Total liabilities
Panasonic Corporation shareholders' equity	1,705,056	-	(260,614)	1,444,442	Panasonic Corporation stockholders' equity
Common stock	258,740	-	-	258,740	Common stock
Capital surplus	979,895	-	(333,946)	645,949	Capital surplus
Retained earnings	1,165,282	-	(287,074)	878,208	Retained earnings
Accumulated other comprehensive income (loss)	(468,328)	-	360,406	(107,922)	Other components of equity
Treasury stock, at cost	(230,533)	-	-	(230,533)	Treasury stock
Noncontrolling interests	149,258	-	53,533	202,791	Non-controlling interests
Total equity	1,854,314	-	(207,081)	1,647,233	Total equity
Total liabilities and equity	5,596,982	-	(108,958)	5,488,024	Total liabilities and equity

3) Reconciliation of profit or loss in the fiscal year ended March 31, 2016

Yen (millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement differences	IFRS	Presentation under IFRS
Net sales	7,553,717	-	72,589	7,626,306	Net sales
Cost of sales	(5,339,999)	-	(27,668)	(5,367,667)	Cost of sales
Gross profit	2,213,718	-	44,921	2,258,639	Gross profit
Selling, general and administrative expenses	(1,798,009)	-	(47,384)	(1,845,393)	Selling, general and administrative expenses
	-	12,555	(4,110)	8,445	Share of profit of investments accounted for using the equity method
	-	(197,119)	5,727	(191,392)	Other income (expenses), net
Operating profit	415,709	(184,564)	(846)	230,299	Operating profit
Other income (deductions)					
Interest income	18,937	1,574	3,107	23,618	Financial income
Dividends received	1,574	(1,574)	-	-	
Interest expense	(17,007)	(5,046)	(4,335)	(26,388)	Financial expenses
Expenses associated with the implementation of early retirement programs	(11,160)	11,160	-	-	
Other income (deductions), net	(191,005)	191,005	-	-	
Income before income taxes	217,048	12,555	(2,074)	227,529	Profit before income taxes
Provision for income taxes	(14,537)	-	(21,759)	(36,296)	Income taxes
Equity in earnings of associated companies	12,555	(12,555)	-	-	
Net income	215,066	-	(23,833)	191,233	Net profit
Net income attributable to Panasonic Corporation	193,256	-	(28,044)	165,212	Net profit attributable to: Panasonic Corporation stockholders
Net income attributable to noncontrolling interests	21,810	-	4,211	26,021	Non-controlling interests

4) Reconciliation of comprehensive income in the fiscal year ended March 31, 2016

Yen (millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement differences	IFRS	Presentation under IFRS
Net income	215,066	-	(23,833)	191,233	Net profit
Other comprehensive income (loss), net of tax					Other comprehensive income (loss)
Pension liability adjustments	(132,036)	-	52,831	(79,205)	Items that will not be reclassified to profit or loss: Remeasurements of defined benefit plans
	-	-	-	(79,205)	Total
Translation adjustments	(163,824)	-	(844)	(164,668)	Items that may be reclassified to profit or loss: Exchange differences on translation of foreign operations
Unrealized holding gains (losses) of derivative instruments	(1,545)	-	(1,043)	(2,588)	Net changes in Cash flow hedges
Unrealized holding gains of available-for-sale securities	5,781	-	1,288	7,069	Unrealized holding gains of available-for-sale securities
	-	-	-	(160,187)	Total
Subtotal	(291,624)	-	52,232	(239,392)	Total other comprehensive income (loss)
Comprehensive income (loss)	(76,558)	-	28,399	(48,159)	Comprehensive income (loss)
Comprehensive income (loss) attributable to Panasonic Corporation	(81,821)	-	27,204	(54,617)	Comprehensive income (loss) attributable to: Panasonic Corporation stockholders
Comprehensive income attributable to noncontrolling interests	5,263	-	1,195	6,458	Non-controlling interests

5) Notes to reconciliation of equity, profit or loss and comprehensive income

The following items represent major items that were reclassified in the consolidated statements of financial position and the consolidated statements of profit or loss for the date of transition to IFRS and the fiscal year ended March 31, 2016, and there is no effect on equity and profit or loss.

- Under U.S. GAAP, deferred tax assets and deferred tax liabilities were presented separately in current assets/non-current assets and current liabilities/non-current liabilities; however, under IFRS, all deferred tax assets and liabilities have been reclassified to non-current assets and liabilities.
- In accordance with the presentation provisions under IFRS, “other financial assets” and “other financial liabilities” are presented on an individual basis.
- “Impairment losses of fixed assets and other items are included in “operating profit” as “other income (expenses), net.”

The major items of the differences in recognition and measurement are as follows.

(i) Deemed cost

To certain property, plant and equipment, the Company has applied the optional exemption in which fair value on the date of transition to IFRS is used as deemed cost.

(ii) Measurement of non-controlling interests in the acquiree at the time of business combinations and impairment of goodwill

Under U.S. GAAP, non-controlling interests in the acquiree are measured at fair value at the time of the business combination.

Under IFRS, it is allowed to measure non-controlling interests in the acquiree for each business combination transaction either at fair value or based on non-controlling interests' proportionate share in the acquiree's net identifiable assets at the time of business combination.

Furthermore, in impairment test of goodwill under U.S. GAAP, the fair value of the reporting unit is compared with its carrying amount including goodwill. When the fair value of the reporting unit is lower than its carrying amount, the fair value of goodwill is calculated, and if the determined fair value of goodwill is lower than the carrying amount of goodwill, the difference is recognized as impairment loss of goodwill.

Under IFRS, when the carrying amount of the cash-generating unit including goodwill exceeds its recoverable amount, the excess amount is recognized as impairment loss. For impairment loss arising in the cash-generating unit including goodwill, the Company first impairs goodwill, and when there is any remaining amount, recognizes impairment loss for other assets in the cash-generating unit.

The Company has retrospectively applied IFRS 3 to all the business combinations that occurred on and after December 21, 2009. In addition, the Company has chosen to measure non-controlling interests in the acquiree based on non-controlling interests' proportional share in the acquiree's net identifiable assets and restated the amounts, while retrospectively conducting impairment test of goodwill and revising the amount of impairment losses recognized before the date of transition to IFRS.

(iii) Capitalization of development expense

In expenditures related to research and development that were expensed under U.S. GAAP, certain expenses satisfy the requirements for capitalization under IFRS, and therefore they are recognized as assets in the consolidated statements of financial position and amortized over their estimated useful lives on a straight-line basis.

(iv) Net defined benefit liability

For defined benefit pension plans and retirement lump-sum payment plans, under U.S. GAAP, service cost, interest expense and expected return on plan assets are recognized in profit or loss, and the portion of actuarial gains and losses arising from the plans and past service cost incurred that was not recognized as a component of retirement benefit expenses for the period is recognized at the amount net of tax in accumulated other comprehensive income (loss). The amount recognized in accumulated other comprehensive income (loss) is subsequently reclassified to profit or loss as a component of retirement benefit expenses over a period of time in the future.

Under IFRS, for post-employment benefits under the plans, current service cost and past service cost are recognized in profit or loss, and the amount calculated by multiplying net defined benefit liability (asset) by the discount rate is recognized as interest expense (income) in profit or loss. Remeasurements of the net defined benefit liability (asset) are recognized at the amount net of tax in other comprehensive income, and transferred from other components of equity directly to retained earnings, not through profit or loss.

(v) Exchange differences on translation of foreign operations

The Company has applied the optional exemption that allows an entity to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS.

(vi) Deferred income

Under U.S. GAAP, if leaseback in a sale and leaseback transaction is classified as operating lease, and certain conditions are met, gain or loss from the sale is deferred and amortized over the lease term.

Under IFRS, if leaseback in a sale and leaseback transaction is classified as operating lease, and sales price and lease payments are at fair value, any gain or loss from the sale is recognized in profit or loss immediately.

(vii) Scope of consolidation

Under U.S. GAAP, the Company consolidates its majority-owned, controlled subsidiaries and entities in which controlling interest exists through variable interests, while investments in companies and joint ventures over which the Company has the ability to exercise significant influence in terms of financial and operating policies (generally through a voting interest of between 20% to 50%) are accounted for using the equity method.

Under IFRS, the Company consolidates its controlled entities as subsidiaries, while investments in companies over which the Company has significant influence in terms of financial and operating policies but which the Company does not control are accounted for using the equity method.

(viii) Income taxes

Adjustments to deferred tax assets and liabilities are principally due to the following reasons, other than adjustments made in line with the above differences in the accounting standards.

Under U.S. GAAP, all subsequent changes due to a change in the tax rate, reassessment of recoverability and others are recognized as profit or loss including those in connection with deferred tax assets and liabilities on other comprehensive income.

Under IFRS, subsequent changes due to a change in the tax rate, reassessment of recoverability and others in connection with deferred tax assets and liabilities on other comprehensive income are recognized in other comprehensive income.

6) Reconciliation of cash flows for the fiscal year ended March 31, 2016

In the consolidated statements of cash flows for the fiscal year ended March 31, 2016 disclosed in accordance with IFRS, cash flows from operating activities increased by 20,675 million yen, cash flows from investing activities decreased by 19,530 million yen, and cash flows from financing activities decreased by 1,534 million yen, compared with the consolidated statements of cash flows prepared in accordance with U.S. GAAP. These differences are principally due to the change of the consolidation scope and the classification of expenditures related to capitalized development expense into cash flows from investing activities.