

December 20, 2013

Media Contacts:

Tokyo Public Relations Office

Panasonic Corporation

Tel: +81-(0)3-3574-5664 Fax: +81-(0)3-3574-5699

Panasonic News Bureau

Tel: +81-(0)3-3542-6205 Fax: +81-(0)3-3542-9018

**Panasonic to Strengthen the Competitiveness of its
Semiconductor Business**

Osaka, Japan – Panasonic Corporation today announced that in response to increasingly intense competition in the semiconductor market and changes in the business environment, it decided today to carry out the following structural reforms of the semiconductor business of Automotive & Industrial Systems Company (AIS), an internal company of Panasonic, in order to strengthen the competitiveness of the business and achieve new growth.

Panasonic has carried out a variety of measures for its semiconductor business, including the structural transformation of the business, such as shifting its focus from the AV market to the automotive and industrial market, and developing products and solutions taking advantage of its low power consumption, image processing and compound technologies. Panasonic is aiming to further improve the competitiveness of its semiconductor business through the implementation of the following measures.

1. Joint venture of the Hokuriku Diffusion Factory

The 8-inch and 12-inch semiconductor wafer manufacturing processes carried out at the Hokuriku Factory (Uozu, Tonami and Arai) will be transferred on April 1, 2014, to a new company to be established by Panasonic. The new company will receive investment from Tower Semiconductor Ltd. (TJ), a semiconductor foundry based in Israel, and become a joint venture.

In addition to carrying out the production of the semiconductor wafer manufacturing process as a subcontractor of Panasonic, the new company is aiming to expand operations by utilizing TJ's customers and businesses to capture out-of-group sales.

The employees engaged in business at the Hokuriku Factory will be assigned positions in the new company or within the Panasonic Group.

Outline of the Hokuriku Factory

Uozu District

Name	Uozu District, Hokuriku Factory, Semiconductor Business Division
Location	Uozu City, Toyama Pref.
Start of Operations	April, 1984
Representative	Atsushi Koshio, Factory Superintendent
Business Activities	LSI, image sensors, compound semiconductors

Tonami District

Name	Tonami District, Hokuriku Factory, Semiconductor Business Division
Location	Tonami City, Toyama Pref.
Start of Operations	October, 1994
Representative	Yoshihisa Nagano, District Superintendent
Business Activities	LSI, image sensors, transistors, diodes

Arai District

Name	Arai District, Hokuriku Factory, Semiconductor Business Division
Location	Myoko City, Niigata Pref.
Start of Operations	April, 1974
Representative	Keiichi Kawahata, District Superintendent
Business Activities	LSI, image sensors, transistors, diodes

Outline of Tower Semiconductor Ltd. (TJ)

Name	Tower Semiconductor Ltd. (Brand Name: TowerJazz)
Location of Headquarters	Migdal Haemek City, Israel
Establishment	1993
Representative	Chief Executive Officer: Russell Ellwanger President: Dr. Itzhak Edrei
Business Activities	Foundry for semiconductor wafers
Annual Sales Amount	US\$ 639 million (the fiscal year ended Dec. 31, 2012)
Number of Employees	Approx. 3,000
Manufacturing Sites	4 sites (2 sites in Israel, 1 site in USA and 1 site in Japan (Nishiwaki City, Hyogo Pref.))

Outline of the New Joint Venture Company

Name	TowerJazz Panasonic Semiconductor Co., Ltd. (provisional name)
Location of Headquarters	800 Higashiyama, Uozu City, Toyama Pref.
Starting Date of Business	April 1, 2014
Capital	JPY 750 million
Shareholder	TJ 51%, Panasonic 49%
Board of Directors	11 board members (6 from TJ and 5 from Panasonic)
Business Activities	Foundry for semiconductor wafers Subcontractor of the Semiconductor Business Division, Panasonic

2. Closure of the Okayama Factory

In order to improve productivity of the compound semiconductor business and for the more efficient use of management resources, the laser diffusion processes at the company's Okayama Factory will be transferred to the Uozu District of the Hokuriku Factory. As a result, the company will end production at the Okayama Factory by the end of March, 2014. Employees of the Okayama factory are planned to be transferred and reassigned within the Panasonic Group, primarily within the Uozu District of the Hokuriku Factory.

Outline of the Okayama Factory

Name	Okayama Factory, Semiconductor Business Division
Location	Bizen City, Okayama Pref.
Start of Operations	September, 1970
Representative	Isao Kidoguchi, Factory Superintendent
Business Activities	Production of semiconductor lasers

3. Optimization of the number of employees in the semiconductor business

In line with the restructuring outlined above, the transfer and redeployment of employees within the Panasonic Group is planned to proceed in order for the number of employees in the semiconductor business to be optimized in accordance with its current business scale. The company will proceed with labor-management consultation respecting the will of the employees.

Panasonic's semiconductor business started with the commencement of production in 1957 at the Takatsuki Factory (Takatsuki City, Osaka Pref.) of Matsushita Electronics Corporation (MEC), which was established as a joint venture between Royal Philips of

the Netherlands and Matsushita Electric Industrial Co., Ltd. (MEI). Following this, operations at the Nagaoka Factory (Nagaokakyo City, Kyoto Pref.) started in 1968 with the mass production of silicon transistors and bipolar ICs. In 1970, Panasonic started mass production of MOS LSI and has increased its production at both domestic and overseas sites in accordance with the expanding demand for semiconductor devices.

MEC became a fully owned subsidiary of MEI after the joint venture with Royal Philips was dissolved in 1993. In 2001, MEC was merged into MEI, and the Semiconductor Company was established to integrate the development, manufacturing and sales of semiconductors. Since April 1, 2013, Panasonic's semiconductor business has been operating as a business division of AIS.

Through the aforementioned reforms, Panasonic's semiconductor business will start with the new structure in the fiscal year ending March 31, 2015. Panasonic will continue to expand the business globally and strive to develop appealing products that meet its customers' needs, focusing on the automotive and industrial fields, which are areas of rapid growth.

It is expected that there will not be a material impact on the company's consolidated results forecast for the fiscal year ending March 31, 2014.

Outline of Panasonic's semiconductor business

Name	Semiconductor Business Division, Automotive & Industrial Systems Company, Panasonic Corporation
Location	1 Kotari-yakemachi, Nagaokakyo City, Kyoto Pref.
Start of Operations	1957 (Establishment of MEC 1952)
Representative	Business Division Director: Keiji Fujimoto
Business Activities	Development, production and sales of semiconductors, camera modules and other devices
Number of Employees	Approx. 13,500 (globally as of end of September, 2013)
Manufacturing Sites (as of end of September 2013)	<u>7 manufacturing sites in Japan</u> Uozu (Toyama Pref.), Tonami (Toyama Pref.), Arai (Niigata Pref.), Okayama (Okayama Pref.), Shirakawa (Fukushima Pref.), Kagoshima (Kagoshima Pref.), Kameoka (Kyoto Pref.) <u>6 manufacturing sites overseas</u> Singapore (1), Indonesia (1), Malaysia (1), China (3) (2 in Suzhou, 1 in Shanghai)

About Panasonic

Panasonic Corporation is a worldwide leader in the development and engineering of electronic technologies and solutions for customers in residential, non-residential, mobility and personal applications. Since its founding in 1918, the company has expanded globally and now operates over 500 consolidated companies worldwide, recording consolidated net sales of 7.30 trillion yen for the year ended March 31, 2013. Committed to pursuing new value through innovation across divisional lines, the company strives to create a better life and a better world for its customers. For more information about Panasonic, please visit the company's website at <http://panasonic.net/>.

###