Panasonic Announces Allotment of Stock-Type Compensation Stock Options (i.e., Stock Acquisition Rights)

Osaka, Japan, June 28, 2018 -- Panasonic Corporation (TSE:6752) “Panasonic”) today announced that the Board of Directors, at its meeting held earlier in the day, approved to allot stock acquisition rights as stock-type compensation stock options to Directors (excluding Outside Directors) of Panasonic, Executive Officers and certain other company executives, and a former Executive Officer (currently, Corporate Advisor) of Panasonic to whom the allotments have been withheld due to the overseas assignment.

1. Reason for Allotment of Stock Acquisition Rights as Stock-Type Compensation Stock Options

The purpose of allotment of stock acquisition rights as stock-type compensation stock options is to provide an incentive for allottees to further contribute to the improvement of long-term operating results and higher corporate value through sharing the benefits and risks of share price fluctuations with Panasonic’s shareholders.

2. Terms and Conditions of Stock Acquisition Rights

(1) Name of stock acquisition rights:

Stock Acquisition Rights of Panasonic Corporation Issued in July of Fiscal Year 2019 (the year ending March 31, 2019)

(2) Aggregate number of stock acquisition rights: 3,473

The above number is the projected allocation number and, in the event no subscription is made or other case where the total number of stock acquisition rights to be allotted is reduced, the aggregate number of stock acquisition rights to be allotted shall be the total number of stock acquisition rights to be issued.
(3) Class and number of shares to be acquired upon exercise of stock acquisition rights:

The class of shares to be acquired upon exercise of the stock acquisition rights shall be common stock of Panasonic, and the number of shares to be acquired upon exercise of each stock acquisition right (the “Number of Shares Acquired”) shall be 100 shares; provided, however, that in the case that Panasonic conducts a share split (including an allotment without consideration (mushowariate) of shares of common stock of Panasonic; the same shall apply to all references to the share split herein) or share consolidation on and after the date on which the stock acquisition rights shall be allotted as set forth in (13) below (the “Allotment Date”), the Number of Shares Acquired shall be adjusted in accordance with the following formula, rounding down any fraction of less than one (1) share resulting from such adjustment.

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\text{Number of Shares Acquired after adjustment} = \text{Number of Shares Acquired before adjustment} \times \text{Ratio of share split or share consolidation}
\]

The Number of Shares Acquired after adjustment shall become effective, in the case of a share split, on and after the day immediately following the record date of the relevant share split (if the record date is not set forth, on and after its effective date) or, in the case of a share consolidation, on and after its effective date; provided, however, that, in the event that a share split is conducted on the condition that a proposal to increase the capital or reserves by reducing the amount of surplus is approved at a general meeting of shareholders and that the record date for such share split is prior to the date of closing of such general meeting of shareholders, the Number of Shares Acquired after adjustment shall be applicable retroactively from the day immediately following the relevant record date, on and after the day immediately following the date of closing of the relevant general meeting of shareholders.

In addition to the above, in any event that makes it necessary to adjust the Number of Shares Acquired, including a merger and company split, on and after the Allotment Date, Panasonic may make appropriate adjustment to the Number of Shares Acquired within a reasonable range.

When the Number of Shares Acquired is adjusted, Panasonic shall give notice of necessary matters to each holder of the stock acquisition rights registered in the register of stock acquisition rights (the “Holder”) or give public notice thereof, no later than the day immediately preceding the date on which the Number of Shares Acquired after adjustment shall become effective; provided, however,
that, if Panasonic is unable to give such notice or public notice no later than the day immediately preceding such applicable date, Panasonic shall thereafter promptly give such notice or public notice.

(4) Value of assets to be contributed upon exercise of each stock acquisition right:

The value of assets to be contributed upon exercise of each stock acquisition right shall be one (1) yen per share to be acquired upon exercise of each stock acquisition right, multiplied by the Number of Shares Acquired.

(5) Exercise period of stock acquisition rights:

From July 19, 2018 to July 18, 2048

(6) Matters concerning capital and capital reserve to be increased due to issuance of shares upon exercise of stock acquisition rights:

(i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be a half of the Maximum Amount of Capital Increase, Etc. which is calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting, and any fraction less than one (1) yen arising therefrom shall be rounded up to the nearest one (1) yen.

(ii) The amount of capital reserve to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be the amount determined by deducting the amount of capital to be increased provided for in (i) above from the Maximum Amount of Capital Increase, Etc. set forth in (i) above.

(7) Restrictions on acquisition of stock acquisition rights by transfer:

The stock acquisition rights cannot be acquired through transfer, unless such acquisition is expressly approved by a resolution of the Board of Directors.
(8) Provisions concerning acquisition of stock acquisition rights:

If any of the proposals set forth in (i), (ii), (iii), (iv) and (v) below is approved at a general meeting of shareholders of Panasonic (or, if a resolution of a general meeting of shareholders is not required, is approved by a resolution of the Board of Directors of Panasonic), Panasonic may acquire the stock acquisition rights without consideration on the date to be separately determined by the Board of Directors:

(i) Proposal for approval of a merger agreement under which Panasonic shall become a dissolving company;

(ii) Proposal for approval of split agreement or split plan under which Panasonic shall be split;

(iii) Proposal for approval of a share exchange agreement or share transfer plan under which Panasonic shall become a wholly-owned subsidiary;

(iv) Proposal for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of any shares issued or to be issued by Panasonic shall require the approval of Panasonic; and

(v) Proposal for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of a class of shares to be acquired upon exercise of the stock acquisition rights shall require the approval of Panasonic or that Panasonic may acquire all of such class of shares upon a resolution of a general meeting of shareholders.

(9) Determination policy concerning allotment of stock acquisition rights of Reorganized Company (as defined below) with respect to the structural reorganization:

If Panasonic conducts a merger (limited to the case where Panasonic is dissolved due to the merger), an absorption-type or incorporation-type company split (both, limited to the case where Panasonic is split), or a share exchange or transfer (both, limited to the case where Panasonic becomes a wholly-owned subsidiary) (collectively, the “Structural Reorganization”), Panasonic shall, in each of the above cases, allot stock acquisition rights of any of the relevant companies listed in “a” through “e” of Article 236, Paragraph 1, Item 8 of the Company Law (the “Reorganized Company”) to the Holders holding the stock acquisition rights remaining at the time immediately preceding
the effective date of the relevant Structural Reorganization (the “Remaining Stock Acquisition Rights”) (the effective date of the relevant Structural Reorganization shall mean, in the case of a merger, the date on which the merger becomes effective; in the case of a consolidation, the date of establishment of a newly-incorporated company through consolidation; in the case of an absorption-type company split, the date on which such absorption-type company split becomes effective; in the case of an incorporation-type company split, the date of establishment of a newly-incorporated company through such incorporation-type company split; in the case of a share exchange, the date on which the share exchange becomes effective; and in the case of a share transfer, the date of establishment of a wholly-owning parent company through the share transfer; hereinafter the same shall apply). In this case, the Remaining Stock Acquisition Rights shall be extinguished and the Reorganized Company shall issue new stock acquisition rights; provided, however, that the foregoing shall be on the condition that transfer of such stock acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in a merger agreement, a consolidation agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(i) Number of stock acquisition rights of the Reorganized Company to be allotted:

A number equal to the number of the Remaining Stock Acquisition Rights held by the Holder shall be transferred to such Holder.

(ii) Class of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights:

Common stock of the Reorganized Company.

(iii) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights:

To be determined in accordance with (3) above, taking into consideration, among others, the conditions of Structural Reorganization.

(iv) Value of assets to be contributed upon exercise of each stock acquisition right:

The value of assets to be contributed upon exercise of each stock acquisition right to be allotted shall be the amount obtained by multiplying (x) the exercise price after reorganization set forth below by (y) the number of shares of the Reorganized Company to be acquired upon exercise of
the relevant stock acquisition rights as determined in accordance with (iii) above. The “exercise price after reorganization” shall be one (1) yen per share of the Reorganized Company to be acquired upon exercise of each of its stock acquisition rights.

(v) Exercise period of stock acquisition rights:

From and including whichever is the later of (x) the commencement date of the period during which the stock acquisition rights may be exercised as provided for in (5) above or (y) the effective date of the Structural Reorganization, to and including the expiration date of the period during which the stock acquisition rights may be exercised as provided for in (5) above.

(vi) Matters concerning capital and capital reserve to be increased due to issuance of shares upon exercise of stock acquisition rights:

To be determined in accordance with (6) above.

(vii) Restrictions on acquisition of stock acquisition rights by transfer:

The stock acquisition rights cannot be acquired through transfer, unless such acquisition is expressly approved by a resolution of the Board of Directors of the Reorganized Company.

(viii) Provisions concerning acquisition of stock acquisition rights:

To be determined in accordance with (8) above.

(ix) Conditions for exercise of stock acquisition rights:

To be determined in accordance with (11) below.

(10) Handling of fractions less than one (1) share resulting from exercise of stock acquisition rights:

In the case where the number of shares to be acquired by the Holders who have exercised the stock acquisition rights includes any fraction less than one (1) share, such fraction shall be disregarded.

(11) Conditions for exercise of stock acquisition rights:

(i) During the period in (5) above when the stock acquisition rights may be exercised, the Holder may exercise the stock acquisition rights on and after the day immediately following the date on which such Holder loses the status of Director, Executive Officer, Audit & Supervisory Board
Member or any status equivalent thereto, of Panasonic, or the day immediately following the day when three (3) years have transpired since the day immediately following the day the stock acquisition rights were allotted, whichever falls earlier.

(ii) Notwithstanding (i) above, during the period in (5) above when the stock acquisition rights may be exercised, if proposal for approval of a merger agreement under which Panasonic shall become a dissolving company or proposal for approval of a share exchange agreement or share transfer plan under which Panasonic shall become a wholly-owned subsidiary is approved at a general meeting of shareholders (or, if a resolution of a general meeting of shareholders is not required, is approved by a resolution of the Board of Directors), stock acquisition rights can be exercised only in a 15 day-period commencing from the day immediately following the date (inclusive) when the proposal is approved. Provided it excludes where the allotment of stock acquisition rights by the Reorganized Company to the Holder in accordance with (9) above is stipulated in a merger agreement, a share exchange agreement, or a share transfer plan.

(iii) (i) above shall not be applicable to those who have succeeded to the stock acquisition rights by inheritance.

(iv) If the Holder waives the stock acquisition rights, the relevant stock acquisition rights may not be exercised thereafter.

(12) Method of calculation of amount to be paid for stock acquisition rights:

The amount to be paid for each stock acquisition right shall be the amount obtained by multiplying (x) the option price per share calculated by the Black-Sholes Model using the basic numerical value set forth in (ii) through (vii) below (any fraction less than one (1) yen arising therefrom shall be rounded to the nearest one (1) yen) by (y) the Number of Shares Acquired.

\[
C = S e^{-qT} N(d) - X e^{-rT} N(d - \sigma \sqrt{T})
\]

Where

\[
d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right) T}{\sigma \sqrt{T}}
\]

(i) Option price per share (C)
(ii) Stock price (S): Closing price of the regular trading of the shares of common stock of Panasonic on the Tokyo Stock Exchange on July 18, 2018 (if there is no such closing price, the base price of the next trading day)

(iii) Exercise price (X): One (1) yen

(iv) Expected time to maturity (t): Fifteen (15) years

(v) Volatility (σ): Stock price fluctuation rate calculated based on the closing price of the regular trading of the shares of common stock of Panasonic on each trading day during the fifteen (15) years (from July 18, 2003 to July 18, 2018)

(vi) Risk-free interest rate (r): Interest rate of the government bonds whose remaining years to maturity correspond to the expected time to maturity

(vii) Dividend Yield (q): Aggregate dividend amount (actual dividend amount for the fiscal year ended March 31, 2018) / Stock price set forth in (ii) above

(viii) Standard normal cumulative distribution function (N(•))

* The amount obtained as a result of the above calculation shall be the fair value of the stock acquisition rights and the allotment hereunder shall not fall under the category of an allotment of the stock acquisition rights at specially favorable conditions. The remuneration, the amount of which shall be equal to the price to be paid in exchange for stock acquisition rights as stated above, will be paid by Panasonic to the person to whom the stock acquisition rights are allotted, and the obligation of such person to pay such price shall be offset by the rights of such person who receives the remuneration.

(13) Date on which stock acquisition rights shall be allotted:

July 18, 2018

(14) Date on which payment shall be made in exchange for stock acquisition rights:

July 18, 2018
(15) Persons to whom the stock acquisition rights are to be allotted, number of such persons, and number of stock acquisition rights to be allotted:

<table>
<thead>
<tr>
<th>Persons to whom the stock acquisition rights are allotted</th>
<th>Number of persons</th>
<th>Number of stock acquisition rights to be allotted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding Outside Directors) of Panasonic</td>
<td>7</td>
<td>1,546</td>
</tr>
<tr>
<td>Executive Officers and certain other company executives of Panasonic</td>
<td>34</td>
<td>1,828</td>
</tr>
<tr>
<td>Former Executive Officer (currently, Corporate Advisor) of Panasonic</td>
<td>1</td>
<td>99</td>
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</tbody>
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