

Corporate Governance

Basic Concept of Corporate Governance

Matsushita's corporate governance system is based on the Board of Directors, which is responsible for deciding important operational matters for the whole Group and monitoring the execution of business by Directors, and the Board of Corporate Auditors, which is independent from the Board of Directors. The Corporate Auditors and the Board of Corporate Auditors are responsible for auditing the performance of duties by Directors. Matsushita has established the following management system based on the implementation of autonomous management in each business domain and the Company's corporate governance system.

Corporate Governance Structure

The Board of Directors and Executive Officer System

Matsushita's Board of Directors is composed of 19 directors, two of whom are Outside Directors, as of June 27, 2007. In accordance with the Company Law and relevant laws and ordinances (collectively, the "Company Law"), the Board of Directors has ultimate responsibility for administration of the Company's affairs and monitoring of the execution of business by Directors. Under its basic philosophy of contributing to society as a public entity, Matsushita has long been committed to enhancing corporate governance, and was one of the first Japanese companies to invite Outside Directors to serve on its Board of Directors.

In fiscal 2004, Matsushita implemented reforms to establish an optimum management and governance structure tailored to the Group's business domain-based organizational structure. Under this structure, Matsushita has empowered each of its business domain companies through delegation of authority. At the same time, the Company employs an Executive Officer System to provide for the execution of business at various domestic and overseas Matsushita Group companies. This system facilitates the development of optimum corporate strategies that integrate the Group's comprehensive strengths.

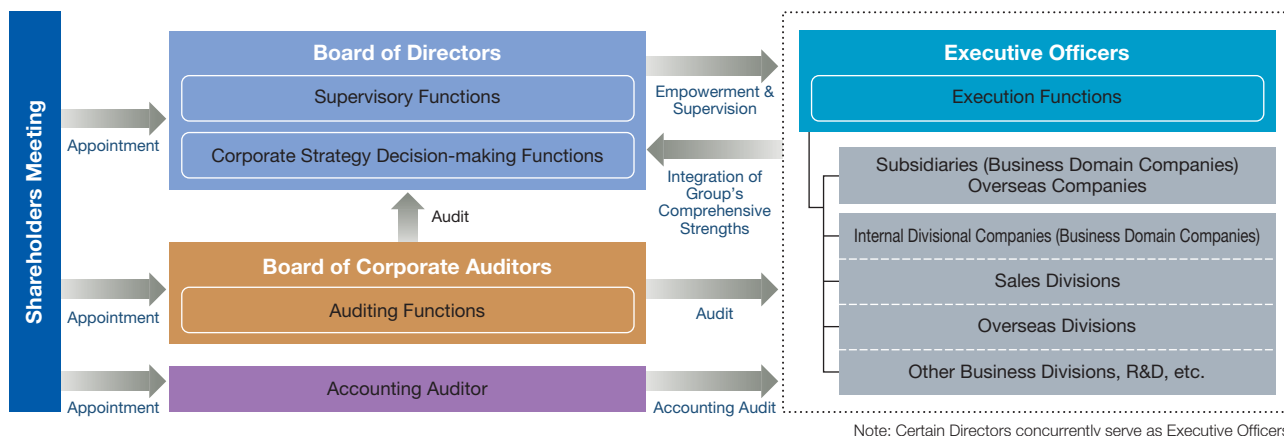
In addition, Matsushita realigned the role and structure of the Board of Directors to ensure swift and strategic decision-making, as well as the optimum monitoring of Groupwide matters. Specifically, the Board of Directors concentrates on corporate strategies and the supervision of business domain companies, while Executive Officers handle responsibilities relating to day-to-day operations. Taking into consideration the diversified scope of its business operations, Matsushita has opted to maintain a system where Executive Officers, who are most familiar with the specifics of their respective operations, take an active part in the Board of Directors. Furthermore, to clarify the responsibilities of Directors and create a more dynamic organization, the Company has limited the term of each Director to one year.

Corporate Auditors and the Board of Corporate Auditors

Pursuant to the Company Law, Matsushita has appointed Corporate Auditors and established a Board of Corporate Auditors, made up of Corporate Auditors. The Corporate Auditors and Board of Corporate Auditors monitor the status of corporate governance and keep abreast of the day-to-day activities of management, including the Board of Directors. As of June 27, 2007, the Board of Corporate Auditors comprised five members, including three Outside Corporate Auditors.

Corporate Auditors participate in shareholder meetings and Board of Directors meetings, and have legal authority to receive reports from Directors, employees and accounting auditors. Full-time Senior Auditors also attend important meetings and conduct checks in order to ensure effective monitoring. To augment internal auditing functions in business domain companies, Matsushita has assigned seven non-statutory full-time senior auditors at each internal divisional company to assist in audits by Corporate Auditors. Matsushita also inaugurated regular Group Auditor Meetings (comprising 18 full-time senior auditors and non-statutory full-time senior auditors from 15 Matsushita Group companies including internal divisional companies) chaired by the Chairman of the Board of Corporate Auditors of the Company to enhance collaboration between the Company's Corporate Auditors, non-statutory full-time senior auditors of internal divisional companies and Corporate Auditors of the Company's subsidiaries. In addition, as part of their audit duties, Corporate Auditors maintain a close working relationship with the Internal Audit Group to ensure effective audits. Moreover, in order to enhance the effectiveness of audits conducted by Corporate Auditors and ensure the smooth implementation of audits, Matsushita has established a Corporate Auditor's Office with a full-time staff of five under the direct control of the Board of Corporate Auditors.

Corporate Governance Structure <Functions of the Board of Directors, Executive Officers and the Board of Corporate Auditors>



Remuneration Policy

The maximum total amounts of remuneration for Directors and Corporate Auditors of Matsushita are determined by a resolution at a general meeting of shareholders. The remuneration amount for each Director is determined by Matsushita's Representative Directors who are delegated to make such determination by the Board of Directors, and the amount of remuneration for each Corporate Auditor is determined upon discussions amongst the Corporate Auditors.

Since the fiscal year ended March 31, 2004, the amounts of the remuneration and bonuses of Directors have reflected each individual's performance based on CCM* and cash flows. From the fiscal year ending March 31, 2008, in order to promote steady growth with profitability, Matsushita has adopted CCM and sales as indicators which represent profitability and growth, respectively. By implementing this new performance evaluation criteria based on shareholder interests, Matsushita will promote continuous growth and enhance profitability on a long-term basis for the Matsushita Group as a whole.

In order to realize a remuneration system with a high level of transparency and acceptability, Matsushita terminated its retirement benefits for Directors and Corporate Auditors in June 2006.

* Capital Cost Management: an indicator created by Matsushita to evaluate return on capital.

Internal Control Systems

Compliance

The Company has formulated the Matsushita Group Code of Conduct to clearly explain in easy-to-understand terms how its management philosophy should be implemented. As a unified global standard, the code applies to all the Matsushita Group's Directors, Executive Officers, and employees. Matsushita has also formulated a Code of Ethics for Directors and Executive Officers stating the fundamental ethics required of the Company's top managers.

In addition, the Company has created a Corporate Compliance Committee, which is chaired by the President and made up of relevant Directors, Executive Officers and Corporate Auditors. Meeting twice yearly, this committee has a Companywide remit and is responsible for discussing and sharing information concerning compliance issues and communicating compliance action policy.

Matsushita also works to ensure compliance in its global business activities. Specifically, the Company has appointed legal affairs managers at business domain companies, overseas regional headquarters and other entities, and has also appointed Directors and Executive Officers in charge of ensuring compliance with the code, as well as personnel responsible for fair trade and export controls. Based on cooperation with all relevant parties, Matsushita works to enforce Companywide compliance policy, as well as provide training and promote awareness, in all the countries and regions where it operates.

In Japan, from 2006, Matsushita launched “Enhancing Compliance Month” (implemented every October). During this period, the Company runs an intensive program to raise awareness about compliance, including the distribution of a Compliance Guidebook to employees as a tool to put the Matsushita Group Code of Conduct into practice, and the implementation of a related test to assess understanding. From fiscal 2008, the Company plans to extend these activities to business sites worldwide to create a corporate culture that is more attuned to compliance issues.

In addition, in July 2005, Matsushita set up a Global Corporate Business Ethics Hotline, enabling all employees in Japan and overseas to receive advice about possible violations of laws related to their duties or corporate ethics. The Company also established a system whereby the Board of Corporate Auditors can directly receive concerns from employees and other individuals with regard to accounting or auditing irregularities, thereby helping to improve financial soundness.

Risk Management

In addition to centralized collection and analysis of information, Matsushita maintains a management cycle that links risk management activities with other business management initiatives. In April 2005, Matsushita established the Global and Group (G&G) Risk Management Committee, consisting of Directors and Executive Officers from various departments of the Corporate Headquarters. Matsushita also established similar functional committees at business domain companies and subsidiaries to formulate appropriate countermeasures on a global and Group basis. Specifically, all business domain companies and subsidiaries of the Matsushita Group assess risks once a year, coinciding with the creation of annual business plans. Using the results of these surveys, the G&G Risk Management Committee then evaluates risks according to priority, and directs each business domain company on appropriate countermeasures. Progress in implementing these countermeasures is also monitored.

Matsushita will make comprehensive efforts in risk management to recognize business risks through the above-mentioned process and take countermeasures that protect the interests of all stakeholders, while helping the Company achieve its business goals.

Information Security

With the advent of the information society, the value of information in business has grown enormously. This prompted Matsushita to take a pioneering step with the establishment of a Corporate Information Security Division in January 2004. This division was created to achieve the three aims listed below. Specifically, the Company will implement initiatives to attain a world-class level of information security by setting and working toward common global targets and training information security personnel.

1. Ensure a high degree of trust in the Company by achieving the same level of information security for each business site and employee worldwide, and by managing customer and business partner information in an appropriate manner.
2. Boost management efficiency and enhance corporate value by ensuring trade secrets, personal information, technical data and other information held by the Company are used and shared safely.
3. Formulate common global rules, build a global implementation framework and conduct regular training programs for all Matsushita employees to raise awareness of information security among all employees and create a culture of information management.

Internal Control Over Financial Reporting

Matsushita has documented its internal control system, designed to ensure reliability in financial reporting of the Matsushita Group including its subsidiaries, ranging from the control infrastructure to actual internal control activities. The Company has reinforced its internal controls by implementing self-checks and self-assessment programs, in addition to regular internal auditing at each business domain company. Matsushita has also appointed an Internal Auditing Manager at each business domain company who audits the compliance status and effectiveness of internal controls.

The Corporate Internal Auditing Group supervises these activities in order to ensure the reliability of each company's financial reporting. With the aim of further enhancing the Group's internal control system, Matsushita has appointed approximately 300 personnel to conduct internal audits, including 26 people in the Corporate Internal Auditing Group.

Information Disclosure Structure and Execution of Accountability

To enhance transparency and ensure accountability, the Company established the Disclosure Committee, consisting of general or executive managers from departments that handle relevant information. The Committee checks the propriety of statements and descriptions in the Company's annual securities reports submitted to the Japanese regulatory authorities and its filings with the U.S. Securities and Exchange Commission, including its annual reports on Form 20-F, while confirming the appropriateness and effectiveness of its disclosure controls and procedures.

Policy on Control of Matsushita Electric Industrial Co., Ltd.

Basic Policy

Since its establishment, Matsushita has operated its businesses under its basic management philosophy, which sets forth that the mission of a business enterprise is to contribute to the progress and development of society and the wellbeing of people through its business activities, thereby enhancing the quality of life throughout the world. Aiming for further growth to become a global excellent company, Matsushita will work to deliver sustained growth in corporate value to satisfy its shareholders, investors, customers, business partners, employees and all other stakeholders.

Matsushita has a basic policy that shareholders should make final decisions in the event of a Large-scale Purchase of the Company's shares, regarding whether or not the Large-scale Purchase should be accepted. However, there is the possibility that such Large-scale Purchaser may not provide shareholders with sufficient information for making appropriate decisions. There is also concern that any Large-scale Purchase may damage corporate value and shareholder interest. In this event, the Company may take countermeasures in order to protect the interests of all shareholders.

Measures to Realize Basic Policy

1) Specific measures to realize basic policy

Matsushita has announced a mid-term management plan called GP3, which will run from fiscal 2008 to fiscal 2010. Based on the plan's fundamental concept of delivering steady growth with profitability, the Company will implement a range of measures to achieve the targets of ¥10 trillion in sales, representing growth, and ROE of 10%, measuring

capital efficiency. In terms of concrete measures, Matsushita will concentrate management resources on its strategic businesses, while actively pursuing manufacturing of more competitive products based on its unique technologies. Moreover, in order to reinforce management structures, the Company will reduce costs and curb total assets by reducing inventories. Matsushita also strives to maximize its corporate value by utilizing cash flows generated by business activities for actively distributing profits to shareholders through its own share repurchases and the payment of cash dividends, as well as for acquiring intellectual property rights or conducting M&As.

2) Measures based on the basic policy to prevent control by inappropriate parties

On April 28, 2005, the Board of Directors resolved to adopt a policy related to a Large-scale Purchase of the Company's shares called the Enhancement of Shareholder Value (ESV) Plan. With respect to a Large-scale Purchaser who intends to acquire 20% or more of all voting rights of the Company, this policy requires that (i) a Large-scale Purchaser provides sufficient information, such as its outline, purposes or conditions, the basis for determination of the purchase price and funds for purchase, and management policies and business plans which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase, to the Board of Directors before a Large-scale Purchase is to be conducted and (ii) after all required information is provided, the Board of Directors should be allowed a sufficient period of time (a sixty-day period or a ninety-day period) for consideration. The Board of Directors intends to assess and examine any proposed Large-scale Purchase after the information on such purchase is provided, and subsequently to disclose the opinion of the Board of Directors in order to assist shareholders in making their decisions. The Board of Directors may negotiate with the Large-scale Purchaser or suggest alternative plans to shareholders, if it is deemed necessary.

If a Large-scale Purchaser does not comply with the rules laid out in the ESV Plan, Matsushita's Board of Directors may take countermeasures against the Large-scale Purchaser to protect the interests of all shareholders. Countermeasures include the implementation of stock splits, issuance of stock acquisition rights or any other measures that the Board of Directors is permitted to take under the Company Law in Japan, other laws and the Company's

Articles of Incorporation. If a Large-scale Purchaser complies with the Large-scale Purchase rules, the Board of Directors does not intend to prevent the Large-scale Purchase at its own discretion, unless it is clear that such Large-scale Purchase will cause irreparable damage or loss to Matsushita. The Board of Directors will make decisions relating to countermeasures by referring to advice from outside professionals, such as lawyers and financial advisers, and fully respecting the opinions of outside directors and statutory corporate auditors.

The Board of Directors will adopt specific countermeasures which it deems appropriate at that time. If the Board of Directors elects to make a stock split for shareholders as of a certain record date, the maximum ratio of the stock split shall be five-for-one. If the Board of Directors elects to issue stock acquisition rights in a rights offering, the Company will issue one stock acquisition right for every share held by shareholders on a specified record date. One share shall be issued on the exercise of each stock acquisition right. If the Board of Directors elects to issue stock acquisition rights as a countermeasure, it may determine the exercise period and exercise conditions of the stock acquisition rights in consideration of the effectiveness thereof as a countermeasure, such as the condition that shareholders do not belong to a specific group of shareholders including a Large-scale Purchaser.

The Company recognizes that the aforementioned countermeasures may cause damage or loss, economic or otherwise, to a prospective Large-scale Purchaser who does not comply with the Large-scale Purchase Rules. Matsushita does not anticipate that taking such countermeasures will cause shareholders, other than the Large-scale Purchaser, economic damage or loss of any rights. However, in the event that the Board of Directors determines to take a specific countermeasure, the Board of Directors will disclose such countermeasure in a timely and appropriate manner, pursuant to relevant laws and stock exchange regulations.

The term of office of directors is one year, and they are elected at the annual general meeting of shareholders in June. Matsushita's Board of Directors intends to review the Large-scale Purchase Rules, as necessary, for reasons including amendments to applicable legislation. Any such review would be conducted strictly in the interests of all shareholders.

On April 28, 2006, the Board of Directors resolved to continue the ESV Plan. The Board of Directors also resolved to continue this ESV Plan on April 27, 2007. For further details, please see the press release issued on April 27, 2007 at the Company's Web site:
<http://panasonic.co.jp/corp/news/official.data/data.dir/en070427-9/en070427-9.html>

Evaluation of measures by the Board of Directors and rationale for evaluation

Matsushita's current mid-term management plan was formulated as a specific measure to increase the Company's corporate value in a sustained manner. The ESV Plan was formulated from the perspective of protecting shareholder value, and is aimed at ensuring shareholders receive sufficient information to make decisions on share purchase proposals by allowing those responsible for the management of the Company, the Board of Directors, to provide their evaluation of any proposal, and providing the opportunity for alternative proposals to be submitted.

Consequently, these measures, in accordance with Basic Policy, are intended to protect the interests of all the Company's shareholders.

Significant Differences in Corporate Governance Practices Between Matsushita and U.S. Companies Listed on the NYSE

Companies listed on the NYSE must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, listed companies that are foreign private issuers, such as Matsushita, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Matsushita.

Corporate Governance Practices Followed by NYSE-listed U.S. companies	Corporate Governance Practices Followed by Matsushita
<p>A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.</p>	<p>The Company Law does not require Japanese joint stock corporations with corporate auditors such as Matsushita to have any independent directors on its board of directors. The Company Law has provisions for an “outside director,” whose definition is similar to, but not the same as, an independent director under the NYSE Listed Company Manual. An “outside director” is defined as a director of the company who does not engage or has not engaged in the execution of business of the company or its subsidiaries as a director of any of these corporations, and who does not serve or has not served as an executive officer, manager or in any other capacity as an employee of the company or its subsidiaries. A Japanese joint stock corporation with corporate auditors, such as Matsushita, is not obliged under the Company Law to have any outside directors on its board of directors. However, Matsushita had two (2) outside directors as of June 27, 2007. The tasks of supervising the administration of the company’s affairs are assigned not only to the board of directors but also to corporate auditors, as more fully described below.</p>
<p>A NYSE-listed U.S. company must have an audit committee with responsibilities described under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors, and the audit committee must have at least three members and satisfy the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934.</p>	<p>A Japanese joint stock corporation is not required to have any audit, nominating and compensation committees, except for a “joint stock corporation with specified committees,” which is a corporate governance system that started in April 2003 and which may be adopted by Japanese joint stock corporations meeting certain criteria.</p> <p>Most Japanese joint stock corporations, including Matsushita, employ a corporate governance system based on corporate auditors. With this system, the tasks of supervising the administration of the company’s affairs conducted by directors are assigned not only to the board of directors but also to corporate auditors who are appointed at a general meeting of shareholders, and who are separate and independent from the board of directors. Under the Company Law, Matsushita is required to appoint at least three (3) corporate auditors, and at least half of Matsushita’s corporate auditors are required to be “outside corporate auditors” who must meet additional independence requirements. An “outside corporate auditor” is defined as a corporate auditor who does not serve or has not served as a director, accounting counselor, executive officer, manager or in any other capacity as an employee of the company or any of its subsidiaries prior to the appointment. Under the Company Law, Matsushita is required to establish a board of corporate auditors, comprising all the company’s corporate auditors.</p> <p>As of June 27, 2007, Matsushita had five (5) corporate auditors, of which three (3) were outside corporate auditors. Each Corporate Auditor of Matsushita has a four-year term. In contrast, the term of each Director of Matsushita is one year. Corporate auditors are obliged to attend the meetings of the board of directors and express their opinion at the meetings if necessary. The board of corporate auditors and corporate auditors have a statutory duty to supervise the administration of the company’s affairs by directors. Each corporate auditor is required to prepare respectively their audit report of Matsushita each fiscal year and submit the reports to the directors. Copies of the audit reports are included in the appendix to the convocation notice of the ordinary general meeting of shareholders.</p>

A corporate auditor also has a statutory duty to examine the financial statements of Matsushita, and receives auditors' reports from an accounting auditor (a certified public accountant or an accounting firm). The board of corporate auditors has the power to request that Matsushita's directors submit a proposal for dismissal of an accounting auditor to a general meeting of shareholders. The board of corporate auditors also has the power to directly dismiss an accounting auditor under certain conditions. Matsushita's directors must obtain the consent of its board of corporate auditors in order to submit a proposal for election, dismissal and/or non-reelection of an accounting auditor to a general meeting of shareholders.

With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees, Matsushita relies on an exemption under that rule which is available to foreign private issuers with a board of corporate auditors meeting certain requirements.

A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.

Under the Company Law, Matsushita's directors must be elected and/or dismissed at a general meeting of shareholders. The board of directors nominates director candidates and submits a proposal for election of directors to a general meeting of shareholders. The board of directors does not have the power to fill vacancies thereon.

Matsushita's corporate auditors must also be elected and/or dismissed at a general meeting of shareholders. Matsushita's directors must obtain the consent of the board of corporate auditors in order to submit a proposal for election and/or dismissal of a corporate auditor to a general meeting of shareholders. Each of the corporate auditors has the right to state his/her opinion concerning the election, dismissal and/or resignation of any corporate auditor, including himself/herself, at a general meeting of shareholders. The board of corporate auditors is also empowered to request directors to submit a proposal for election of a specific person as a corporate auditor to a general meeting of shareholders.

A NYSE-listed U.S. company must have a compensation committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The compensation committee must be composed entirely of independent directors.

Under the Company Law, the maximum amounts of remunerations, including equity compensation such as stock options, bonuses, and other financial benefits given in consideration of performance of duties (collectively, the "remunerations") of directors and corporate auditors of Japanese joint stock corporations, except for a "joint stock corporation with specified committees," must be approved at a general meeting of shareholders. Companies must also obtain the approval at a general meeting of shareholders to change such maximum amounts. Therefore, the remunerations of the directors and corporate auditors are subject to the approval of shareholders.

The maximum total amounts of remunerations for Directors and Corporate Auditors of Matsushita is therefore determined by a resolution at a general meeting of shareholders, and thus remunerations of the Directors and Corporate Auditors of Matsushita are under the oversight of shareholders. The remuneration amount for each Director is determined by Matsushita's Representative Directors who are delegated to make such determination by the Board of Directors, and the amount of remuneration for each Corporate Auditor is determined upon discussions amongst the Corporate Auditors.

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

Pursuant to the Company Law, if a Japanese joint stock corporation, such as Matsushita, desires to adopt an equity compensation plan under which stock acquisition rights are granted on specially favorable conditions (except where such rights are granted to all shareholders on a pro rata basis), such plan must be approved by a "special resolution" of a general meeting of shareholders that satisfies the prescribed quorum. (In the case of Matsushita, such quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required as provided by Matsushita's Articles of Incorporation pursuant to the Company Law.)