

Management Policy

- (1) **Basic Policy for Corporate Management**
Since its establishment, Matsushita has operated its business under its basic management philosophy, which sets forth that the mission of a business enterprise is “Contributing to the progress and development of society and the well-being of people through its business activities, thereby enhancing the quality of life throughout the world.” Matsushita, as a public entity, is committed to its relationship with all stakeholders.
- (2) **Basic Policy for Profit Distribution**
Management has focused on the interests of its shareholders ever since the company’s establishment. Its share dividend policy is based on a consistent distribution of dividends. In addition, on commemorative occasions, the company has rewarded its shareholders with such means as dividend increases and stock splits.
- (3) **Company’s Policy on Reduction of the Share Trading Unit Size**
The amendments to the Japanese Commercial Code that took effect in October 2001 allow listed companies to reduce the number of shares per unit for trading (“share trading unit”) on stock markets in Japan. Matsushita has given careful consideration as to whether or not it should avail itself to this eased restriction, but as of today, the company believes it is too early to do so.
Recognizing the importance of increased participation in capital markets by individual investors, Matsushita, over the years, has implemented various measures with individual shareholders in mind. Some of these include enhancement of the company’s investor relations website, more detailed business reports and improved shareholder meeting arrangements. Although Matsushita is aware that a reduction in the trading unit size is an effective method for broadening its individual shareholder base, the company would incur significant cost in doing so, while the benefits of such a measure have yet to be verified. Matsushita would consider a possible change in the trading unit size only at such time as the aforementioned advantages and benefits can be verified.
- (4) **Corporate Management Strategies and Challenges**
With the continuing advances in digital networking, society is becoming increasingly complex. To enhance its contribution to society in this new era, Matsushita introduced its three-year management plan, “Value Creation 21” in April 2001, aiming at transforming Matsushita into a “Super Manufacturing Company” for the 21st century through structural reforms for achieving a “smile-curve-shaped profit structure.” To this end, the company has been challenging to create new business models that are able to demonstrate the synergistic effects between the business segments of devices, finished products, and services. From fiscal 2004, the company will also focus on two business performance evaluation standards for each business domain company — Capital Cost Management to measure capital efficiency, and cash flows, which indicates the company’s ability to generate cash. These standards are more closely related to those used by capital markets, and are intended to result in management that increases corporate value.

<Major Activities Undertaken in Fiscal 2003>

To bring about a rapid recovery in business results, Matsushita launched 88 “V-products” in fiscal 2003 as a driving force that can capture the No. 1 share in the high-volume markets and contribute to the company’s overall performance. As a result of this Groupwide commitment, sales of V-products reached approximately 1 trillion yen, allowing us to achieve increased market share in many product categories. As an engine for overall corporate growth, overseas operations also recorded increased sales and achieved earnings increases in all regions. As for its operations in China in particular, Matsushita has proactively expanded its business in this rapidly-growing market, resulting in nearly a 50% increase in sales over the previous year. Throughout fiscal 2003, Matsushita worked on Groupwide business and organizational restructuring and management system reforms, aimed at accelerating corporate growth, as follows:

- In January 2003, Matsushita launched a new organizational structure to eliminate duplication of businesses among the Group companies and clarify business domains as strategic business units. Under this new structure, each business domain company will integrate its R&D, manufacturing and sales, thereby establishing an autonomous structure that expedites self-completive business operations to accelerate its growth.
- To prepare a framework that enables each business domain company to implement autonomously responsible management, Matsushita established a new global consolidated management system that focuses on cash flows. Under this new management system, each domain company aims to maximize cash flows through efforts to achieve a leaner balance sheet, attaining speedy management with accelerated asset turnover on a consolidated basis.

<Initiatives for Fiscal 2004>

1. V-products
V-products introduced last year have resulted in increased market share. For fiscal 2004, Matsushita has selected 90 new V-products that will surpass last year’s models in both quality and quantity. It expects sales for these to reach approximately 1.2 trillion yen. To maximize opportunities in the worldwide market, Matsushita will utilize global simultaneous product introductions.
2. Overseas Strategy
Matsushita will take various initiatives to strengthen overseas operations, aiming at double-digit sales growth, and operating profit amounting to at least 60% of Matsushita’s consolidated total. Specifically, the company will accelerate operations in China, aiming for a 1 trillion yen business on a Groupwide basis in fiscal 2006.
3. R&D Strategy
Through selection of key technology areas, Matsushita will accelerate strategic concentration of technological management resources, including development staff. By doing so, Matsushita will step up the development of “black box” technologies to set the company apart from the competition. Matsushita will leverage the benefits from these initiatives to increase our competitiveness and profitability.

4. Global Brand Strategy

Matsushita will position the “Panasonic” brand as a globally unified brand for overseas markets under the slogan of “Panasonic ideas for life.” The brand slogan represents the commitment of all the employees, from R&D and manufacturing to marketing and services, to supplying products and services with valued ideas, which can enrich people’s lives and advance the society. In the context of this slogan, the company will devote itself to increasing its brand value.

In fiscal 2004, each business domain company will dynamically strengthen its management, under new management structures and systems. The company has set this year as its “second foundation year” to achieve a momentous progress in the Group’s business performance, by establishing a line-up of strong businesses, aiming for attaining the position of Global No. 1 in major business fields.

(5) Corporate Governance

Based on its basic philosophy of contributing to society as a “public entity, Matsushita over the years has been committed to the enhancement of its corporate governance. As such, it was one of the first Japanese companies to invite outside directors on its Board of Directors and also established an Advisory Board comprised of distinguished outside leaders.

In fiscal 2004, Matsushita will implement further reforms to establish an optimum management and governance structure tailored to the Group’s new business and organizational structure. Under the new structure, the Head Office will empower each of the business domain companies by delegating authority in order to expedite autonomous management. At the same time, an Executive Officer System, for execution of business at various domestic and overseas Group companies, will be introduced, enabling the Head Office to carry out corporate strategies that integrate the Group’s comprehensive strengths. In addition, Matsushita will realign the role and structure of the Board of Directors to conduct swift and strategic decision-making, as well as optimum monitoring, on Groupwide matters. Specifically, the Board of Directors will concentrate on corporate strategies and supervision of business domain companies, as opposed to Executive Officers, who will have responsibilities relating to day-to-day operations. Furthermore, taking into consideration the diversified scope of Matsushita’s business operations, the company will maintain a system where Executive Officers, who are most familiar with the specifics of respective operations, take an active part in the Board of Directors. At the same time, the Board of Directors itself will be reduced in number, with terms shortened to one year. While also strengthening the company’s existing Corporate Auditors System, and through the aforementioned initiatives, Matsushita will continuously enhance the Group’s corporate governance based on its management philosophy.