

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**
Matsushita has conducted company management recognizing the importance of profit return to shareholders 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.
- (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” with a theme of “deconstruction” (restructuring) and “creation” (growth strategy) in April 2001, aiming at transforming Matsushita into a lean and agile “Super Manufacturing Company” for the 21st century. To this end, the company has been challenging to create new business models to create a value chain between devices, finished products, and services. As part of Value Creation 21, the company has so far implemented various structural reforms, including reforms of the domestic consumer sales and distribution structure, manufacturing reforms, research, development and design (R&DD) reforms and employment restructuring.

Beginning in January 2003, Matsushita launched a new groupwide organizational structure with business domain companies designated as strategic units to

eliminate duplication of businesses within the Matsushita group. With the new organizational structure, business domain companies are responsible for R&D, manufacturing and sales within their respective clearly defined business domains, thereby allowing them to more fully achieve growth strategies. Furthermore, from fiscal 2004, the company also inaugurated a management system that focuses on two business performance evaluation standards for each business domain company — Capital Cost Management (CCM) to measure capital efficiency, and cash flows, which indicates a 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 2004>

In line with the company's shift in focus to achieving growth, in the current fiscal year (fiscal 2004), each business domain company is actively implementing management initiatives based on the above-mentioned new management structure and system. The company has also designated this year as one in which it will "redeclare its founding," or in other words, return the principles upon which the company was founded to better contribute to society in the 21st century. The following are initiatives implemented this year to establish solid pillars of management and contribute to overall business results:

<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 is utilizing global simultaneous product introductions. The company has already achieved success with V-products introduced so far this year, including a full lineup of DVD recorders and flat-panel TVs in the digital AV equipment field, as well as achieving positive results for V-products in Home Appliances, Components and Devices, and other segments.

2. R&D Strategy

Through selection of key technology areas, Matsushita will accelerate strategic concentration of technological management resources, including engineering and 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 product competitiveness. Matsushita will also contribute to the realization of a ubiquitous networking society by developing new technologies, beginning with core device technologies in the digital AV equipment area and supporting business expansion in the networkable appliances and service business areas with "easy networking ideas" as the key word.

3. Overseas Strategy

Matsushita will take various initiatives to strengthen overseas operations, aiming at greater sales growth, and operating profit amounting to at least 60% of Matsushita's

consolidated total. Beginning with electric motor operations, which are being strengthened through expansion initiatives in China and alliances, and refrigerator operations that focus on HFC-free models and supporting components, Matsushita is establishing an optimum global manufacturing structure. The company is also aiming to increase sales through such initiatives as simultaneous global product introductions of strategic products. The company will, in particular, accelerate operations in China under the key concepts of "localization," "integration" and "cooperation," aiming for a 1 trillion yen business on a groupwide basis in 2005.

4. Global Brand Strategy

Matsushita positioned the "Panasonic" brand as a globally unified brand for overseas markets under the slogan of "Panasonic ideas for life." Matsushita will focus marketing resources on this brand overseas in order to effectively promote the company's wide range of products. By promoting a Panasonic brand that has developed a reputation in the U.S. and Europe as one of dependability and advanced technology, the company aims to increase corporate value.

(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 is implementing 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 has empowered 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, has been introduced, enabling the Head Office to carry out corporate strategies that integrate the Group's comprehensive strengths. In addition, Matsushita has realigned the role and structure of the Board of Directors to conduct swift and strategic decision-making, as well as optimum monitoring, on Groupwide matters. Accordingly, the Board of Directors can now concentrate on corporate strategies and supervision of business domain companies, as opposed to Executive Officers, who have responsibilities relating to day-to-day operations. Taking into consideration the diversified scope of Matsushita's business operations, the company will, however, 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. Through these reforms, the Board of Directors itself has been 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.