

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 through such means as dividend increases.

During the fiscal year ended March 31, 2004 (fiscal 2004), the company distributed an interim cash dividend of 6.25 yen per common share. As for the year-end cash dividend for fiscal 2004, the company intends to distribute, in addition to the ordinary year-end cash dividend of 6.25 yen, a 1.50 yen dividend as a commemorative dividend for the 85th anniversary of the company’s founding. If implemented, total cash dividends for fiscal 2004 will be 14.00 yen per common share, representing a dividend payout ratio of 54.9 % (parent company alone basis).

(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 costs in doing so, while the potential 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 could be verified.

(4) Corporate Management Strategies and Challenges

Matsushita aims to become a top global company in 2010, by pursuing the management objectives of contributing to the realization of a ubiquitous networking society and coexistence with the environment, thus providing its customers with valued products and services.

To this end, the company established the mid-term (three-year) management plan "Leap Ahead 21," and began implementing initiatives to materialize sustainable growth. In fiscal 2005, which is the first year of the plan, the company will implement various measures to set the firm trend toward growth by fiscal 2007.

<Major Activities Undertaken in Fiscal 2004>

With the "Value Creation 21 Plan" implemented from fiscal 2002 to 2004, the company conducted numerous group-wide reforms under the theme "deconstruction and creation." Specifically, in fiscal 2004, designated as a year in which the company would "re-declare" its founding, Matsushita shifted its focus to a "growth phase," and established a business domain-based organizational structure and a new management system that places top priority on global consolidated results and cash flows. Specific initiatives taken during fiscal 2004 include :

- Regarding V-products that can capture top market shares and contribute to the company's overall results, Matsushita, in fiscal 2004, launched 90 new models and aggressively implemented marketing campaigns, utilizing global simultaneous product introductions. As a result, sales of V-products exceeded the initial target, reaching approximately 1.24 trillion yen on a group-wide basis.
- Regarding overseas operations, which Matsushita expects to serve as the Group's growth engine, the company reinforced its regional strategies to promote localization and integration of operations, along with efforts to actively expand sales and expedite return on investments. It also conveyed to its customers worldwide a new image for the company and its products, by unifying its brand name overseas to "Panasonic," with the brand slogan of "Panasonic ideas for life."
- In R&D, to increase efficiency, the company realigned technological management categorization and systems. In corporate R&D functions, to encourage engineers to concentrate on prioritized R&D themes and leading-edge technologies, Matsushita introduced a new management system with which it can administrate themes at each step in the research process. In business domain companies' R&D functions, Matsushita significantly reduced lead time for product development by introducing an innovative R&D process management, developed from the standpoint of return on investment. Furthermore, the company reinforced its intellectual property rights initiatives through revitalizing patent application filings worldwide.
- In evaluating the performance of each business domain company, the company also

implemented reforms in management systems, by unifying existing evaluation standards into two new integrated systems; Capital Cost Management (CCM), which represents return on capital, and globally consolidated cash flows, which measure a company's ability to generate cash. In order to improve profitability, Matsushita also made efforts to strengthen its financial structure, by expediting the selection and concentration of resources through restructuring activities at each business domain company, while also working on the reduction of inventories and materials purchasing costs.

<Principal Initiatives for Fiscal 2005>

1. V-products

For fiscal 2005, Matsushita plans to launch 71 new V-products on a group-wide basis. It targets approximately 1.5 trillion yen in sales of these products, significantly surpassing last year's result. Matsushita intends to develop these new V-products with emphasis on the creation of black-box technologies, universal designs and eco-friendly innovations, and expand the markets for these products globally, with an aim to form solid pillars of growth.

2. R&D and Intellectual Property Rights Strategies

Matsushita will concentrate its management resources on strategically important development themes, in line with the company's ten-year technology vision as the core of corporate-wide R&D strategy. Specifically, the company will step up the development of such products as next-generation system LSIs, networkable electronic home appliances and fuel cell co-generation systems. With respect to intellectual property rights, Matsushita will further strengthen its competitive edge, by more globally establishing its patent rights, along with effective utilization thereof, for fundamental networking technologies to support a ubiquitous networking society, and standards for such products as digital TV and DVD-related products.

3. Overseas Strategy

Matsushita will continue its ongoing initiatives to strengthen overseas operations as a corporate growth engine. Especially in China, as a priority region, the company will strive to achieve approximately 1 trillion yen in total business size in fiscal 2006, with a growth rate surpassing the market expansion rate.

4. Strengthening the Company's Financial Structure

Matsushita will enhance its earnings capability and financial structure, by thoroughly conducting rationalization of materials purchasing costs, as well as through other initiatives, including a cost and expense reduction project initiated in fiscal 2004.

5. Collaboration with Matsushita Electric Works, Ltd. (MEW)

From fiscal 2005, Matsushita will start a comprehensive collaboration with MEW in actual operation, aiming at mutually enhanced corporate value through realization of a new Matsushita Group with an optimum management structure from a customer

viewpoint. By combining each company's management resources under a unified brand/management strategy, the two companies aim to achieve synergy effects, offering "solutions for comfortable living," to create greater growth opportunities and increased productivity, thus envisioning a leap towards a globally excellent enterprise.

(5) Corporate Governance, Concept and Initiatives

1. A New Structure that Enables Enhanced 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 implemented 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 Board of Directors 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, also facilitating the development of optimum 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 group-wide 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, in order to vitalize internal auditing functions in business domain companies, Matsushita assigned full-time "Auditors" at each internal divisional company and, furthermore, inaugurated the "Group Auditors Meeting" to enhance their collaboration with the corporate auditors at Matsushita subsidiaries.

2. Establishment of Internal Control Systems

In view of the growing needs for enhanced corporate internal controls and for addressing the Sarbanes-Oxley Act of 2002 in the United States, Matsushita worked on documenting the appropriate systems and procedures in operations from the

control environment up to actual internal control activities, and appointed “internal auditing managers” in each of the business domain companies, who will check on how requisites are observed (or the effectiveness of internal controls) under the overall supervision of the Corporate Internal Auditing Group, both in order to ensure the reliability of the company’s financial reporting. In fiscal 2005, the company will reinforce its internal controls through this set-up by implementing self-assessment at all organizational units and operational functions throughout the Matsushita Group. Furthermore, in order to ensure and enhance the transparency and accountability of its business, the company has also established the “Internal Control and Disclosure Committee” with which it is confirming the proper function and effectiveness regarding disclosure controls and procedures.

3. Compliance, etc.

Meanwhile, the company established the “Code of Ethics for Directors and Executive Officers” in March 2004, with which it encourages its Directors on the Board and Executive Officers to fully comply with the code to show good examples to employees. In May 2003, it also compiled an in-company handbook called the “Corporate Compliance Guide” as a concise guidebook plainly explaining the laws and ordinances to be observed in day-to-day operations, and delivered it to all personnel at the manager level or above, while also implementing training seminars. Additionally, in December 2003, the company conducted monitoring of corporate business ethics for employees of major domestic and overseas companies of the Matsushita Group to check the actual observation status of the company’s “code of conduct” and “business ethics and compliance,” thus making efforts forward the identification and solution of possible problems.

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