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**FOR IMMEDIATE RELEASE**

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**ANNOUNCEMENT OF FINANCIAL RESULTS**

(Note: Dollar amounts for the most recent period have been translated for convenience at the rate of U.S.\$1.00 = 104 yen.)

**MATSUSHITA REPORTS MARCH 2004 ANNUAL RESULTS**

**- V-products, cost reduction efforts spur earnings increase -**

Osaka, Japan, April 28, 2004 -- Matsushita Electric Industrial Co., Ltd. (NYSE symbol: MC) today reported its annual financial results for the year ended March 31, 2004 (fiscal 2004).

**Consolidated Results**

Consolidated group sales for fiscal 2004 edged up 1%, to 7,479.7 billion yen (U.S.\$71.92 billion), from 7,401.7 billion yen in the previous fiscal year. The main reasons cited by the company in explaining fiscal 2004 results were strong sales of "V-products," particularly digital audiovisual (AV) products, cellular phones and factory automation (FA) equipment, which were sufficient to offset sales declines in the Components and Devices and JVC categories. Of the consolidated group total, domestic sales increased 1% to 3,477.5 billion yen (\$33.44 billion), compared with 3,453.8 billion yen a year ago. Overseas sales were up by the same 1%, to 4,002.2 billion yen (\$38.48 billion), from 3,947.9 billion yen in fiscal 2003. Excluding the effects of currency translation, overseas sales increased 4% from a year ago on a local currency basis<sup>1</sup>.

- more -

The domestic economy in Japan showed moderate improvement during fiscal 2004. Steady gains in capital investment and exports were the main reasons cited for this improvement, despite such negative factors as a strong yen and rising raw materials prices. The global economic situation was supported by continued expansion in such economies as the United States and China, although post-war Iraq and other unstable factors remained.

Fiscal 2004 was designated as the year Matsushita would “re-declare” its founding, or in other words, return to the basic management principles upon which the company was founded. As such, the company implemented group-wide initiatives representative of management’s shift in focus from “deconstruction” to “creation,” in pursuit of further growth. As a first step, Matsushita introduced an autonomous business domain-based organizational structure, along with a new management system that places top priority on global consolidated results and cash flows.

Examples of initiatives to increase sales and enhance profitability in fiscal 2004 included the launch of a new series of competitive V-products, particularly those in the digital AV area, and global simultaneous product introductions aimed at maximizing sales and profits at an early stage in product life cycles. Matsushita also positioned the “Panasonic” brand as a globally unified brand for overseas markets, under the slogan “Panasonic ideas for life.” This new brand strategy conveys to customers all over the world a new image for the company and its products, while further enhancing overall brand value. Meanwhile, Matsushita continued to carry out restructuring at various business domain companies. Such restructuring encompassed selection and concentration of management resources, along with a thorough review of all costs to strengthen the company’s overall management structure.

Furthermore, to maximize corporate value and establish an optimum structure for the Matsushita Group, the company commenced a comprehensive collaboration relationship with Matsushita Electric Works, Ltd., pursuant to the basic agreement between the two companies signed in December 2003.

Consolidated operating profit<sup>2</sup> for the year increased 54%, to 195.5 billion yen

(\$1.88 billion), compared with 126.6 billion yen in the previous year. This increase was primarily attributable to sales increases, benefiting mainly from the success of V-products, and cost reduction efforts, despite the negative effects of a strong Japanese yen and intense global competition.

1. Sales on a local currency basis is not a measure conforming with U.S. GAAP. However, the company believes that this measure is useful to investors in promoting understanding of the company's business conditions by excluding the influence of foreign currency exchange rate fluctuations.
2. For information about operating profit, see Note 2 of Notes to consolidated financial statements on page 13.

Regarding pretax income, the company recorded a 72.2 billion yen (\$695 million) gain from the return to the Japanese Government of the substitutional portion of the Employees Pension Funds that the company and certain of its subsidiaries operated on behalf of the Government. Meanwhile, the company recorded restructuring charges of 45.1 billion yen (\$433 million) for early retirement programs at certain domestic group companies, and incurred losses on valuation of investment securities, mainly stocks of affiliated companies. As a result, income before income taxes for fiscal 2004 was 170.8 billion yen (\$1.64 billion), up 148% from 68.9 billion yen in the previous year.

The company recorded a net income of 42.1 billion yen (\$405 million), as compared with the previous year's net loss of 19.5 billion yen. Growth in net income was curbed due in part to adjustments of short-term deferred tax assets, resulting from the revision of tax laws lowering local enterprise income tax rates in light of a new pro-forma standard taxation system.

### **Consolidated Sales Breakdown by Product Category**

As previously announced, Matsushita launched a new business domain-based organizational structure in January 2003, followed in April of the same year by the introduction of a new group-wide management system. Accordingly, the company reclassified its previous four business segments (AVC Networks, Home Appliances, Industrial Equipment and Components and Devices) into five new segments, effective April 1, 2003. The five new segments are: AVC Networks, Home Appliances, Components and Devices, JVC and Other.

The company's annual consolidated sales by reclassified product category, as compared with restated prior year amounts<sup>3</sup>, are summarized as follows:

3. For restatement of prior year segment disclosure, see Note 8 of Notes to consolidated financial statements on page 14.

### AVC Networks

AVC Networks sales increased 3% to 3,624.1 billion yen (\$34.85 billion), compared with 3,511.5 billion yen in the previous year. Within this segment, sales of video and audio equipment increased 1% from a year ago. Strong sales were recorded in such digital AV products as flat-panel TVs and DVD recorders, which more than offset declines in CRT TVs, VCRs and audio equipment.

Sales of information and communications equipment were up 4% from fiscal 2003. This increase was mainly attributable to strong sales of automotive electronics and cellular phones.

### Home Appliances

Sales of Home Appliances were mostly unchanged at 1,189.1 billion yen (\$11.43 billion), compared with 1,184.1 billion yen in the previous year. Within Home Appliances, certain seasonal products recorded sales declines in Japan, but these were offset by solid sales in products such as washing machines, dishwashers and ventilating fans.

### Components and Devices

Sales of Components and Devices decreased 4% to 1,142.4 billion yen (\$10.98 billion), compared with 1,193.8 billion yen in the previous year. Semiconductors sales recorded solid gains, led by system LSIs for digital AV products. Sales declines in general components and electronic tubes, however, resulted in overall lower sales.

### JVC

Sales for JVC (Victor Company of Japan and its subsidiaries) totaled 802.7 billion yen (\$7.72 billion), down 3% from 828.0 billion yen in fiscal 2003. Although sales increases were recorded for flat-panel TVs and DVD recorders, overall sales of consumer electronics in Japan and the Americas declined, particularly in such products as CRT TVs and VCRs.

### Other

Sales for Other increased 5% to 721.4 billion yen (\$6.94 billion), from 684.3 billion yen a year ago. Strong sales of FA equipment overseas, particularly electronic-parts-mounting machines, was the main reason for this increase.

### **Non-Consolidated (Parent Company Alone) Results<sup>4</sup>**

Parent-alone sales decreased 4% to 4,081.4 billion yen, from 4,237.8 billion yen in the previous year. Although the company's V-products, particularly digital AV products, recorded solid sales, overall sales declined mainly due to the exclusion from parent company sales results of certain businesses that were transferred to subsidiaries as part of the company's group-wide organizational restructuring implemented in January 2003.

Regarding parent-alone earnings, despite various cost reduction initiatives, the decrease in sales resulted in a parent-alone operating profit of 46.9 billion yen, down 11% from 52.8 billion yen in fiscal 2003. Recurring profit increased 31% to 105.2 billion yen, compared with 80.1 billion yen in the previous year, mainly a result of an increase in dividend income. The parent company recorded non-recurring profit of 9.0 billion yen related to the sale of securities, and an additional 8.5 billion yen in non-recurring profit as a result of the sale of certain fixed assets. Non-recurring loss included 37.6 billion yen in restructuring charges. These factors resulted in a parent-alone net income of 59.4 billion yen, up 106% from 28.8 billion yen last year.

4. Non-consolidated (parent company alone) results are in conformity with Japanese generally accepted accounting principles.

### **Consolidated Financial Condition**

On a consolidated basis, total assets as of March 31, 2004 were 7,438.0 billion yen, a decrease of 396.7 billion yen from March 31, 2003. The main reason for this decrease was the return to the Government of the substitutional portion of the Employees Pension Funds, which resulted in significant decreases in other assets (deferred tax assets) and other long-term liabilities (retirement and severance benefits), and an increase in accumulated other comprehensive income (minimum pension liability adjustments). The company also continued efforts to increase capital

efficiency by reducing assets such as trade receivables and property, plant and equipment.

### **Proposed Year-end Dividend**

Matsushita's Board of Directors today resolved to propose a year-end cash dividend of 7.75 yen per common share, including a commemorative dividend of 1.50 yen per common share, for approval at the ordinary general meeting of shareholders to be held in late June 2004. The commemorative dividend is to be added to the ordinary year-end dividend for the current fiscal year ending March 31, 2004, which falls on the 85th anniversary of the company's founding. If implemented, total dividends for fiscal 2004, including an interim dividend of 6.25 yen per common share paid in November 2003, will be 14.00 yen per common share, as compared with 12.50 yen for fiscal 2003.

### **Outlook for Fiscal 2005<sup>5</sup>**

Regarding the business environment for fiscal 2005 (year ending March 31, 2005), while the economy in Japan is expected to maintain gradual recovery, other global economies, beginning with the United States, are still viewed with cautious optimism. Furthermore, trends toward a strong Japanese yen and increasing raw materials prices are forecasted to continue. Based on Matsushita's new 3-year mid-term plan "Leap Ahead 21," the company will strive to maintain growth by increasing sales, through aggressive promotion of V-products, and enhancing group-wide profitability and cash flows by further promoting autonomous management at each business domain company. Matsushita currently expects fiscal 2005 sales on a consolidated basis to increase by about 18% to approximately 8,800 billion yen. Consolidated operating profit is also expected to increase by about 43% to approximately 280 billion yen. Consolidated income before income taxes<sup>6</sup> is anticipated to improve to approximately 230 billion yen, up 35%, with net income expected to improve to approximately 63 billion yen, an increase of 49% from the past fiscal year.

5. The above forecast for fiscal 2005 reflects the addition of Matsushita Electric Works, Ltd. and PanaHome Corporation as consolidated subsidiaries of Matsushita Electric Industrial Co., Ltd. In fiscal 2004, Matsushita Electric Works and PanaHome were reflected in Matsushita Electric Industrial's consolidated financial results by the equity method.
6. Other income (deductions) affecting the forecast of income before income taxes consists of "other income" in the amount of 25 billion yen and "restructuring charges" of about 75 billion yen.

On a parent company alone basis, sales in fiscal 2005 are expected to decrease

by 2% to approximately 4,020 billion yen. Recurring profit, however, is projected to increase by 1%, to approximately 106 billion yen, and net income is forecast to increase 21% to approximately 72 billion yen.

Matsushita Electric Industrial Co., Ltd., best known for its “Panasonic” brand products, is one of the world's leading manufacturers of electronic and electric products for consumer, business and industrial use. Matsushita's shares are listed on the Tokyo, Osaka, Nagoya, New York, Euronext Amsterdam, and Frankfurt stock exchanges. For more information, visit the Matsushita web site at the following URL: <http://www.panasonic.co.jp/global/> and the IR web site at the following URL:<http://ir-site.panasonic.com/>

**Disclaimer Regarding Forward-Looking Statements**

*This press release includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Matsushita and its group companies (the Matsushita Group). To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Matsushita Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Matsushita Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Matsushita undertakes no obligation to publicly update any forward-looking statements after the date of this press release. Investors are advised to consult any further disclosures by Matsushita in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.*

*The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, Asian currencies and other currencies in which the Matsushita Group operates businesses, or in which assets and liabilities of the Matsushita Group are denominated; the ability of the Matsushita Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the ability of the Matsushita Group to realize expected benefits of various restructuring activities in its business and organization; the ability of the Matsushita Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Matsushita Group to maintain competitive strength in many product and geographical areas; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; and fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings; as well as future changes or revisions to accounting policies or accounting rules.*

(Financial Tables and Additional Information Attached)

**Matsushita Electric Industrial Co., Ltd.**  
**Consolidated Statement of Income \***  
**(Year ended March 31)**

	Yen (millions)		Percentage	U.S. Dollars (millions)
	<u>2004</u>	<u>2003</u>	<u>2004/2003</u>	<u>2004</u>
Net sales	¥ 7,479,744	¥ 7,401,714	101%	\$ 71,921
Cost of sales	(5,313,065)	(5,323,605)		(51,087)
Selling, general and administrative expenses	<u>(1,971,187)</u>	<u>(1,951,538)</u>		<u>(18,954)</u>
Operating profit	195,492	126,571	154%	1,880
Other income (deductions):				
Interest income	19,564	22,267		188
Dividend income	5,475	4,506		53
Gain from the transfer of the substitutional portion of the Employees Pension Funds	72,228	--		695
Interest expense	(27,744)	(32,805)		(267)
Restructuring charges **	(45,056)	(12,476)		(433)
Write-down of investment securities	(52,492)	(52,611)		(505)
Other income (loss), net	<u>3,355</u>	<u>13,464</u>		<u>32</u>
Income before income taxes	170,822	68,916	248%	1,643
Provision for income taxes	(98,535)	(71,276)		(948)
Minority interests	(19,618)	(5,505)		(189)
Equity in earnings (losses) of associated companies	<u>(10,524)</u>	<u>(11,588)</u>		<u>(101)</u>
Net income (loss)	<u>¥ 42,145</u>	<u>¥ (19,453)</u>	--	<u>\$ 405</u>
Net income (loss), basic				
per common share	18.15 yen	(8.70)yen		\$0.17
per ADS	18.15 yen	(8.70)yen		\$0.17
Net income (loss), diluted				
per common share	18.00 yen	(8.70)yen		\$0.17
per ADS	18.00 yen	(8.70)yen		\$0.17

(Parentheses indicate expenses, deductions or losses.)

\* \*\* See Notes to consolidated financial statements on pages 13-14.

**Consolidated Statement of Surplus \***  
**(Year ended March 31)**

	Yen (millions)		U.S. Dollars (millions)
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Balance at beginning of year	¥ 2,432,052	¥ 2,470,356	\$ 23,385
Net income (loss)	42,145	(19,453)	405
Cash dividends	(29,218)	(20,798)	(281)
Transfer from (to) legal reserve	<u>(2,475)</u>	<u>1,947</u>	<u>(23)</u>
Balance at end of year	<u>¥ 2,442,504</u>	<u>¥ 2,432,052</u>	<u>\$ 23,486</u>

\* See Notes to consolidated financial statements on pages 13-14.

**Supplementary Information**  
**(Year ended March 31)**

	Yen (millions)		U.S. Dollars (millions)
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Depreciation (tangible assets):	¥ 253,762	¥ 283,434	\$ 2,440
Capital investment:	¥ 271,291	¥ 251,470	\$ 2,609
R&D expenditures:	¥ 579,230	¥ 551,019	\$ 5,570
Number of employees (Mar. 31)	290,493	288,324	

**Matsushita Electric Industrial Co., Ltd.**  
**Consolidated Balance Sheet \*\***  
**(March 31, 2004)**

<b><u>Assets</u></b>	Yen (millions)	U.S. Dollars (millions)	
	<u>March 31, 2004</u>	<u>March 31, 2003</u>	
Current assets:			
Cash and cash equivalents	¥ 1,275,014	¥ 1,167,470	\$ 12,260
Time deposits	170,047	395,559	1,635
Marketable securities	2,684	1,196	26
Trade receivables (notes and accounts)	1,067,667	1,146,905	10,266
Inventories	777,540	783,262	7,476
Other current assets	<u>482,025</u>	<u>491,786</u>	<u>4,635</u>
Total current assets	<u>3,774,977</u>	<u>3,986,178</u>	<u>36,298</u>
Noncurrent receivables	280,398	299,239	2,696
Investments and advances	1,237,427	1,020,137	11,898
Property, plant and equipment, net of accumulated depreciation	1,209,502	1,298,895	11,630
Other assets	<u>935,708</u>	<u>1,230,244</u>	<u>8,997</u>
Total assets	<u>¥ 7,438,012</u>	<u>¥ 7,834,693</u>	<u>\$ 71,519</u>
 <b><u>Liabilities and Stockholders' Equity</u></b>			
Current liabilities:			
Short-term borrowings	¥ 290,208	¥ 333,686	\$ 2,790
Trade payables (notes and accounts)	784,734	727,284	7,546
Other current liabilities	<u>1,494,844</u>	<u>1,509,862</u>	<u>14,373</u>
Total current liabilities	<u>2,569,786</u>	<u>2,570,832</u>	<u>24,709</u>
Long-term debt	460,639	588,202	4,429
Other long-term liabilities	827,896	1,387,082	7,960
Minority interests	128,115	110,177	1,232
Common stock	258,740	258,738	2,488
Capital surplus	1,230,476	1,219,686	11,831
Legal reserve	83,175	80,700	800
Retained earnings	2,442,504	2,432,052	23,486
Accumulated other comprehensive income (loss) *	(399,502)	(705,642)	(3,841)
Treasury stock	<u>(163,817)</u>	<u>(107,134)</u>	<u>(1,575)</u>
Total liabilities and stockholders' equity	<u>¥ 7,438,012</u>	<u>¥ 7,834,693</u>	<u>\$ 71,519</u>

\* Accumulated other comprehensive income (loss) breakdown:

	Yen (millions)	U.S. Dollars (millions)	
	<u>March 31, 2004</u>	<u>March 31, 2003</u>	
Cumulative translation adjustments	¥ (282,287)	¥ (161,124)	\$ (2,714)
Unrealized holding gains (losses) of available-for-sale securities	88,104	(18,082)	847
Unrealized gains (losses) of derivative instruments	6,676	(1,090)	64
Minimum pension liability adjustments	(211,995)	(525,346)	(2,038)

\*\* See Notes to consolidated financial statements on pages 13-14.

**Matsushita Electric Industrial Co., Ltd.**  
**Consolidated Sales Breakdown \***  
**(Year ended March 31)**

	Yen (billions)		Percentage 2004/2003	U.S. Dollars (millions)
	<u>2004</u>	<u>2003</u> (Restated - Note 8)		<u>2004</u>
<i><u>AVC Networks</u></i>				
Video and audio equipment	¥ 1,418.1	¥ 1,397.7	101%	\$ 13,636
Information and communications equipment	<u>2,206.0</u>	<u>2,113.8</u>	104%	<u>21,211</u>
Subtotal	<u>3,624.1</u>	<u>3,511.5</u>	103%	<u>34,847</u>
<i><u>Home Appliances</u></i>				
	<u>1,189.1</u>	<u>1,184.1</u>	100%	<u>11,434</u>
<i><u>Components and Devices</u></i>				
	<u>1,142.4</u>	<u>1,193.8</u>	96%	<u>10,985</u>
<i><u>JVC</u></i>				
	<u>802.7</u>	<u>828.0</u>	97%	<u>7,718</u>
<i><u>Other</u></i>				
	<u>721.4</u>	<u>684.3</u>	105%	<u>6,937</u>
<b>Total</b>	<b>¥ <u>7,479.7</u></b>	<b>¥ <u>7,401.7</u></b>	101%	<b>\$ <u>71,921</u></b>
Domestic sales	3,477.5	3,453.8	101%	33,438
Overseas sales	4,002.2	3,947.9	101%	38,483

**[Domestic/Overseas Sales Breakdown]**

(in yen only)

	Domestic sales		Overseas sales	
	Yen (billions) <u>2004</u>	Percentage <u>2004/2003</u>	Yen (billions) <u>2004</u>	Percentage <u>2004/2003</u>
<i><u>AVC Networks</u></i>				
Video and audio equipment	¥ 413.2	101%	¥ 1,004.9	102%
Information and communications equipment	<u>1,077.0</u>	104%	<u>1,129.0</u>	104%
Subtotal	<u>1,490.2</u>	103%	<u>2,133.9</u>	103%
<i><u>Home Appliances</u></i>				
	<u>763.4</u>	100%	<u>425.7</u>	102%
<i><u>Components and Devices</u></i>				
	<u>463.2</u>	100%	<u>679.2</u>	93%
<i><u>JVC</u></i>				
	<u>244.2</u>	92%	<u>558.5</u>	99%
<i><u>Other</u></i>				
	<u>516.5</u>	100%	<u>204.9</u>	122%
<b>Total</b>	<b>¥ <u>3,477.5</u></b>	101%	<b>¥ <u>4,002.2</u></b>	101%

\* See Notes to consolidated financial statements on pages 13-14.

**Matsushita Electric Industrial Co., Ltd.**  
**Consolidated Information by Segments \***  
**(Year ended March 31)**

**By Business Segment:**

<b>[Sales]</b>	<u>Yen (billions)</u>		<u>Percentage</u> 2004/2003	U.S. Dollars (millions)
	<u>2004</u>	<u>2003</u>		<u>2004</u>
		(Restated - Note 8)		
AVC Networks	¥ 3,840.3	¥ 3,668.2	105%	\$ 36,926
Home Appliances	1,223.2	1,197.5	102%	11,762
Components and Devices	1,659.7	1,709.7	97%	15,959
JVC	819.0	851.5	96%	7,875
Other	948.7	819.1	116%	9,122
Subtotal	<u>8,490.9</u>	<u>8,246.0</u>	103%	<u>81,644</u>
Eliminations	<u>(1,011.2)</u>	<u>(844.3)</u>	--	<u>(9,723)</u>
Consolidated total	<u>¥ 7,479.7</u>	<u>¥ 7,401.7</u>	101%	<u>\$ 71,921</u>
<b>[Segment Profit] **</b>				
AVC Networks	¥ 129.1	¥ 82.8	156%	\$ 1,241
Home Appliances	52.7	45.2	117%	507
Components and Devices	50.1	31.2	161%	482
JVC	24.7	21.9	113%	238
Other	14.7	13.1	113%	141
Subtotal	<u>271.3</u>	<u>194.2</u>	140%	<u>2,609</u>
Corporate and eliminations	<u>(75.8)</u>	<u>(67.6)</u>	--	<u>(729)</u>
Consolidated total	<u>¥ 195.5</u>	<u>¥ 126.6</u>	154%	<u>\$ 1,880</u>

**By Domestic and Overseas Company Location:**

<b>[Sales]</b>	<u>Yen (billions)</u>		<u>Percentage</u> 2004/2003	U.S. Dollars (millions)
	<u>2004</u>	<u>2003</u>		<u>2004</u>
Japan	¥ 5,511.1	¥ 5,140.4	107%	\$ 52,991
Americas	1,297.2	1,390.4	93%	12,473
Europe	1,027.3	939.3	109%	9,878
Asia, China and others	2,176.4	1,837.4	118%	20,927
Subtotal	<u>10,012.0</u>	<u>9,307.5</u>	108%	<u>96,269</u>
Eliminations	<u>(2,532.3)</u>	<u>(1,905.8)</u>	--	<u>(24,348)</u>
Consolidated total	<u>¥ 7,479.7</u>	<u>¥ 7,401.7</u>	101%	<u>\$ 71,921</u>
<b>[Segment Profit]</b>				
Japan	¥ 131.8	¥ 88.2	150%	\$ 1,267
Americas	23.3	22.5	104%	224
Europe	16.3	21.7	75%	157
Asia, China and others	89.7	71.0	126%	863
Subtotal	<u>261.1</u>	<u>203.4</u>	128%	<u>2,511</u>
Corporate and eliminations	<u>(65.6)</u>	<u>(76.8)</u>	--	<u>(631)</u>
Consolidated total	<u>¥ 195.5</u>	<u>¥ 126.6</u>	154%	<u>\$ 1,880</u>

\* \*\* See Notes to consolidated financial statements on pages 13-14.

**Matsushita Electric Industrial Co., Ltd.**  
**Consolidated Statement of Cash Flows \***  
(Year ended March 31)

	Yen (millions)		U. S. Dollars (millions)
	2004	2003	2004
<b><u>Cash flows from operating activities:</u></b>			
Net income (loss)	¥ 42,145	¥ (19,453)	\$ 405
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	278,177	302,141	2,675
Net gain on sale of investments	(11,327)	(93)	(109)
Provision for doubtful receivables	3,154	17,621	30
Deferred income taxes	21,160	19,572	203
Write-down of investment securities	52,492	52,611	505
Impairment loss on long-lived assets	11,666	2,375	112
Minority interests	19,618	5,505	189
(Increase) decrease in trade receivables	35,248	(72,604)	339
(Increase) decrease in inventories	(37,016)	82,573	(356)
(Increase) decrease in other current assets	13,450	27,996	129
Increase (decrease) in trade payables	87,226	162,378	839
Increase (decrease) in accrued income taxes	12,254	4,960	118
Increase (decrease) in accrued expenses and other current liabilities	10,782	79,252	104
Increase (decrease) in retirement and severance benefits	(67,332)	16,622	(648)
Other	17,435	16,861	168
Net cash provided by operating activities	<u>¥ 489,132</u>	<u>¥ 698,317</u>	<u>\$ 4,703</u>
<b><u>Cash flows from investing activities:</u></b>			
Proceeds from sale of short-term investments	--	10,523	\$ --
Purchase of short-term investments	(702)	--	(7)
Proceeds from disposition of investments and advances	68,468	121,001	658
Increase in investments and advances	(207,869)	(80,774)	(1,999)
Capital expenditures	(275,544)	(246,603)	(2,649)
Proceeds from sale of fixed assets	113,008	58,270	1,087
(Increase) decrease in finance receivables	30,697	29,158	295
(Increase) decrease in time deposits	202,808	96,371	1,950
Other	(16,311)	877	(157)
Net cash used in investing activities	<u>¥ (85,445)</u>	<u>¥ (11,177)</u>	<u>\$ (822)</u>
<b><u>Cash flows from financing activities:</u></b>			
Increase (decrease) in short-term borrowings	(39,577)	(106,630)	(380)
Increase (decrease) in deposits and advances from customers and employees	(15,787)	(20,589)	(152)
Proceeds from long-term debt	108,026	122,288	1,039
Repayments of long-term debt	(228,039)	(293,088)	(2,193)
Dividends paid	(29,218)	(20,798)	(281)
Dividends paid to minority interests	(4,675)	(8,267)	(45)
Repurchase of common stock	(69,394)	(115,770)	(667)
Other	5,963	--	57
Net cash used in financing activities	<u>¥ (272,701)</u>	<u>¥ (442,854)</u>	<u>\$ (2,622)</u>
Effect of exchange rate changes on cash and cash equivalents	(23,442)	(9,948)	(225)
Net increase in cash and cash equivalents	107,544	234,338	1,034
Cash and cash equivalents at beginning of year	1,167,470	933,132	11,226
Cash and cash equivalents at end of year	<u>¥ 1,275,014</u>	<u>¥ 1,167,470</u>	<u>\$ 12,260</u>

\* See Notes to consolidated financial statements on pages 13-14.

**Notes to consolidated financial statements:**

1. The company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP).
2. In order to be consistent with generally accepted financial reporting practices in Japan, operating profit is presented as net sales less cost of sales and selling, general and administrative expenses. The company believes that this is useful to investors in comparing the company's financial results with those of other Japanese companies. Please refer to the accompanying consolidated statement of income and note 4 for U.S. GAAP reconciliation.
3. Comprehensive income (loss) was reported as a gain of 348,285 million yen (\$3,349 million) for fiscal 2004, and a loss of 570,552 million yen for fiscal 2003. Comprehensive income (loss) includes net income (loss) and increases (decreases) in cumulative translation adjustments, unrealized holding gains (losses) of available-for-sale securities, unrealized gains (losses) of certain derivative instruments and minimum pension liability adjustments.
4. "Restructuring charges" in "Other income (deductions)" of the consolidated statements of income for fiscal 2004 and fiscal 2003 include expenses associated with the implementation of early retirement programs at certain domestic companies. "Other income (loss), net" for fiscal 2004 includes business restructuring expenses, such as impairment losses and other expenses associated with the closure or integration of several manufacturing facilities. Under accounting principles generally accepted in the United States, these charges are included as part of operating profit in the statement of income. "Other income (loss), net" for fiscal 2003 includes a gain on the sale of Panasonic Disc Services Corporation in the United States.
5. Due to revised local enterprise income tax laws in light of a new pro-forma standard taxation system that was promulgated in March 2003, the company revalued deferred tax assets and increased provision for income taxes by 8,614 million yen (\$83 million) in the consolidated statements of income for fiscal 2004, and 22,317 million yen for fiscal 2003.
6. In fiscal 2003, the company and certain of its subsidiaries obtained approvals from Japan's Ministry of Health, Labour and Welfare for exemption from the past benefit obligation with respect to the portion of the Employees Pension Funds that the company and certain of its subsidiaries operated for the Government (the so-called "substitutional portion"), and transferred the substitutional portion to the Government in December 2003 or later. Gain from the transfer of the substitutional portion of the Employees Pension Funds of 72,228 million yen (\$695 million) is reported as other income in the consolidated statement of income.
7. Matsushita Electric Industrial Co., Ltd. and most of its domestic subsidiaries maintain Employees Pension Funds and lump-sum retirement benefit payment plans as defined benefit plans. Effective April 2002 or later, the company and certain of its subsidiaries amended their lump-sum retirement benefit payment plans, introducing cash balance pension plans. Several overseas subsidiaries also maintain defined benefit plans.

8. Upon the introduction of a new business domain-based management system, which focuses on global consolidated management by each business domain, from this fiscal year (fiscal 2004), the company changed its business segment classifications to five new segments: AVC Networks, Home Appliances, Components and Devices, JVC and Other, in order to ensure consistency of its internal management structure and disclosure. Accordingly, sales breakdown and segment information for fiscal 2003 have been restated.

Principal internal divisional companies or units and subsidiaries operating in respective segments are as follows:

**AVC Networks:**

Panasonic AVC Networks Company, Panasonic Communications Co., Ltd.,  
Panasonic Mobile Communications Co., Ltd., Panasonic Automotive Systems Company,  
Panasonic System Solutions Company, Matsushita Kotobuki Electronics Industries, Ltd.

**Home Appliances:**

Home Appliances Group, Healthcare Business Company, Lighting Company,  
Matsushita Ecology Systems Co., Ltd.

**Components and Devices:**

Semiconductor Company, Matsushita Battery Industrial Co., Ltd.,  
Matsushita Electronic Components Co., Ltd., Motor Company

**JVC:**

Victor Company of Japan, Ltd.

**Other:**

Panasonic Factory Solutions Co., Ltd., Matsushita Industrial Information Equipment Co., Ltd.

9. Regarding consolidated segment profit, expenses for basic research and administrative expenses at the corporate headquarters level are treated as unallocatable expenses for each business segment, and are included in Corporate and eliminations.
10. As a result of the tender offer in which the company purchased 140.55 million shares of Matsushita Electric Works, Ltd. (MEW) at the total cost of 146,172 million yen, MEW and its subsidiaries and PanaHome Corporation and its subsidiaries became consolidated subsidiaries of the company on April 1, 2004.
11. Number of consolidated companies: 372
12. Number of companies reflected by the equity method: 59
13. United States Dollar amounts are translated from yen for convenience at the rate of U.S. \$1.00 = 104 yen, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2004.
14. Each American Depositary Share (ADS) represents 1 share of common stock.

**Matsushita Electric Industrial Co., Ltd.**  
**Consolidated Information of Marketable Securities\***  
**(March 31, 2004)**

Yen (millions)

	<u>March 31, 2004</u>			<u>March 31, 2003</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Gross unrealized holding gains(losses)</u>	<u>Cost</u>	<u>Fair value</u>	<u>Gross unrealized holding gains(losses)</u>
<u>Current</u>						
Equity securities	--	--	--	--	--	--
Bonds	1,000	1,001	1	4	4	--
Other debt securities	<u>1,683</u>	<u>1,683</u>	<u>--</u>	<u>1,192</u>	<u>1,192</u>	<u>--</u>
Sub-total	<u>¥ 2,683</u>	<u>¥ 2,684</u>	<u>¥ 1</u>	<u>¥ 1,196</u>	<u>¥ 1,196</u>	<u>--</u>
<u>Noncurrent</u>						
Equity securities	217,470	398,425	180,955	242,946	254,032	11,086
Bonds	8,254	8,229	(25)	23,663	22,914	(749)
Other debt securities	<u>10,071</u>	<u>10,071</u>	<u>--</u>	<u>10,851</u>	<u>10,670</u>	<u>(181)</u>
Sub-total	<u>¥ 235,795</u>	<u>¥ 416,725</u>	<u>¥ 180,930</u>	<u>¥ 277,460</u>	<u>¥ 287,616</u>	<u>¥ 10,156</u>
Total	<u>¥ 238,478</u>	<u>¥ 419,409</u>	<u>¥ 180,931</u>	<u>¥ 278,656</u>	<u>¥ 288,812</u>	<u>¥ 10,156</u>

\* The statement of marketable securities represents marketable equity securities other than investments in associated companies and all debt securities in accordance with SFAS No.115 "Accounting for Certain Investments in Debt and Equity Securities."

## Matsushita Group

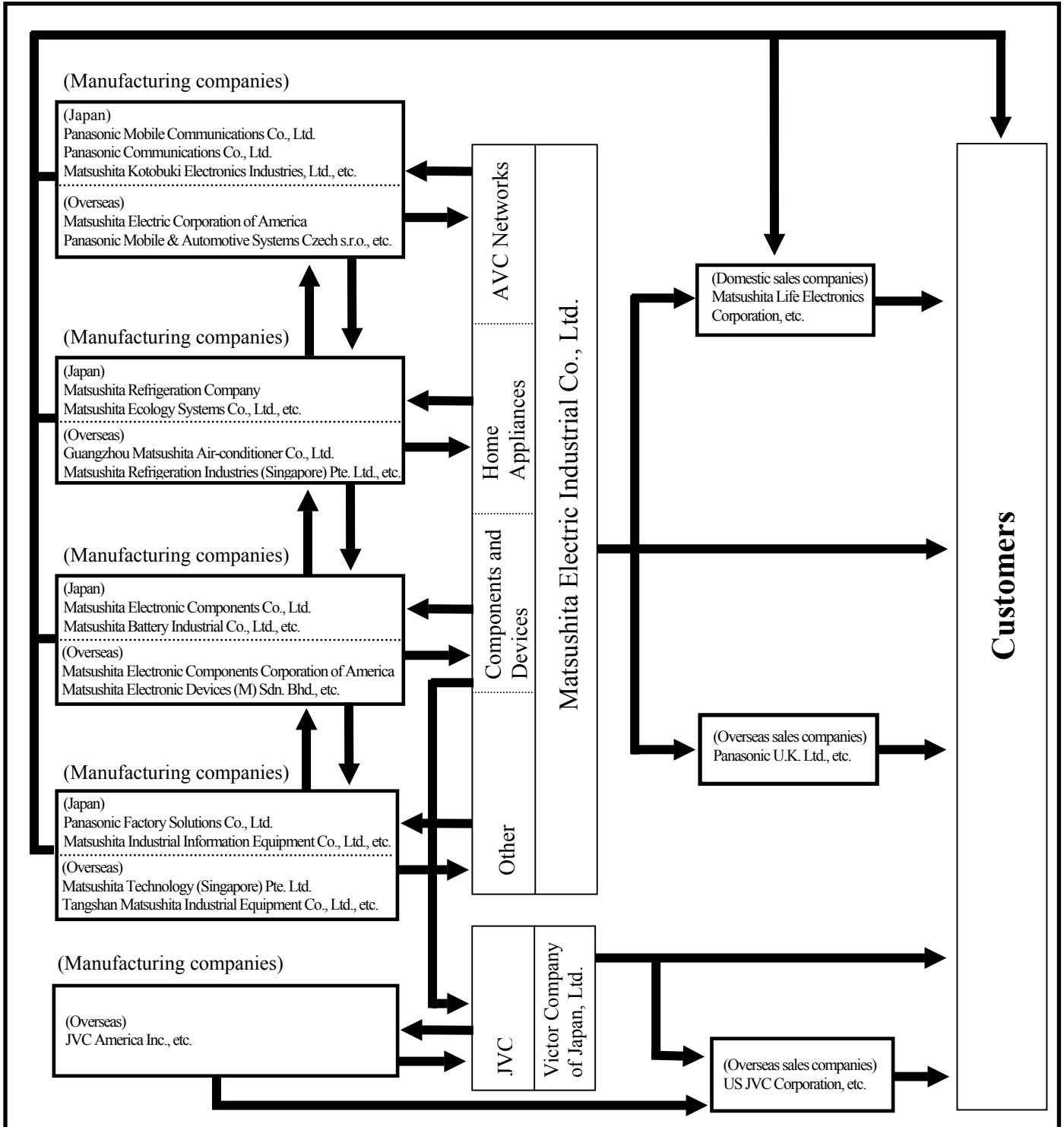
### 1. Outline of the Matsushita Group

Described below are the Matsushita Group's primary business areas, roles of major Group companies in respective businesses and relations between major Group companies and business segments.

The Matsushita Group, mainly comprising Matsushita Electric Industrial Co., Ltd. and 371 consolidated subsidiaries, is engaged in manufacturing, sales and service activities in a broad range of electric/electronic and related business areas, maintaining close ties among Group companies both in Japan and abroad. Matsushita supplies a full spectrum of electric/electronic equipment and related products, which has been categorized into the following five segments: AVC Networks, Home Appliances, Components and Devices, JVC and Other.

\* For major product lines in each segment, please refer to "Details of Product Categories" on page 17.

### 2. Business Domain Chart



## **Details of Product Categories**

### **AVC Networks**

Color TVs, LCD and PDP TVs, VCRs, camcorders, DVD players, DVD recorders, compact disc (CD), Mini Disc (MD) and SD players, other personal and home audio equipment, AV and computer product devices, prerecorded AV software, broadcast- and business-use AV equipment and systems, PCs, CD-ROM, DVD-ROM/RAM and other optical disk drives, SD memory cards, other data storage devices, CRT and LCD displays, copiers, printers, telephones, cellular phones, Personal Handyphone System (PHS) terminals and other mobile communications equipment, facsimile equipment, car AVC equipment, traffic-related systems, communications network-related equipment, other information and communications equipment and systems, etc.

### **Home Appliances**

Refrigerators, room air conditioners, washing machines, clothes dryers, vacuum cleaners, electric irons, microwave ovens, cooking appliances, dishwashers, electric fans, air purifiers, heating equipment, kitchen fixture systems, electric, gas and kerosene hot water supply equipment, bath and sanitary equipment, healthcare equipment, electric lamps, ventilation and air-conditioning equipment, car air conditioners, compressors, vending machines, etc.

### **Components and Devices**

Semiconductors, CRTs, LCD panels, PDPs, general components (capacitors, resistors, coils, speakers, power supplies, mechanical components, high frequency components, printed circuit boards, etc.), magnetic recording heads, electric motors, dry batteries, storage batteries, etc.

### **JVC**

VCRs, camcorders, color TVs, stereo hi-fi and related equipment, car audio, DVD players, DVD recorders, CD radio cassette recorders, business- and education-use equipment, information equipment, KARAOKE systems, video projectors, display components, optical pickups, motors, high-density multi-layered printed circuit boards, audiovisual software for DVD, CD and video tapes, etc.

### **Other**

Electronic-parts-mounting machines, industrial robots, electronic measuring instruments, welding equipment, power distribution equipment, elevators, escalators, bicycles, leasing and credit operations, imported materials and components, certain Matsushita Electric Works products, etc.

Please Note: The following are financial statements on a parent company alone basis (provided in yen only), which are in conformity with Japanese generally accepted accounting principles, and should not be confused with the aforementioned consolidated results.

**Matsushita Electric Industrial Co., Ltd.**  
**(Parent Alone)**  
**Statement of Income**  
**(Year ended March 31)**

	<u>Yen (millions)</u>		<u>Percentage</u>
	<u>2004</u>	<u>2003</u>	<u>2004/2003</u>
Net sales	¥ 4,081,485	¥ 4,237,869	96%
Cost of sales	(3,347,349)	(3,444,104)	
Selling, general and administrative expenses	<u>(687,142)</u>	<u>(740,880)</u>	
Operating profit	<u>46,993</u>	<u>52,884</u>	89%
Interest income	5,662	6,518	
Dividend income	64,634	44,913	
Other income	32,240	32,422	
Interest expense	(16,533)	(18,771)	
Other expenses	<u>(27,795)</u>	<u>(37,769)</u>	
Recurring profit	<u>105,201</u>	<u>80,196</u>	131%
Non-recurring profit	17,601	52,288	
Non-recurring loss	<u>(38,733)</u>	<u>(43,918)</u>	
Income before income taxes	84,069	88,566	95%
Provision for income taxes			
Current	7,463	6,154	
Deferred	<u>17,107</u>	<u>53,584</u>	
Net income	<u>¥ 59,499</u>	<u>¥ 28,828</u>	206%
Unappropriated retained earnings at beginning of period	40,467	41,191	
Interim dividend	(14,473)	(12,984)	
Unappropriated retained earnings at end of period	85,493	57,035	

**Notes to parent-alone financial statements:**

1. In accordance with the Regulations concerning Corporate Financial Statements under the Japanese Commercial Code, amounts less than 1 million yen have been omitted in the accompanying parent-alone financial statements. The sum of the subtotals may differ from the actual total.
2. Similarly, in the description on page 5 regarding parent-alone results and in parent-alone sales breakdown on page 20, amounts less than one-tenth of a billion yen are truncated.
3. Non-recurring profit for fiscal 2004 includes 9,071 million yen related to the sale of securities, and 8,530 million yen as a result of the sale of certain fixed assets. Non-recurring loss for fiscal 2004 includes 37,677 million yen for business restructuring expense such as losses associated with the restructuring of several domestic and overseas businesses.
4. From this fiscal year (fiscal 2004), the company changed its business categories to four new categories: AVC Networks, Home Appliances, Components and Devices and Other, and discloses parent-alone financial data according to these. As such, the sales breakdown data for fiscal 2003 are restated in the sales breakdown table.
5. Based on an agreement entered into with Minebea Co., Ltd., on April 1, 2004, certain businesses in the information equipment motor field of Matsushita were transferred to Minebea-Matsushita Motor Corporation, a joint venture of Matsushita and Minebea.
6. Net income per common share:

	<u>2004</u>	<u>2003</u>
Basic	25.52 yen	12.80 yen
Diluted	25.18 yen	--

Net income per common share (diluted) for fiscal 2003 is omitted because of the antidilutive effect.

**Matsushita Electric Industrial Co., Ltd.**  
**(Parent Alone)**  
**Balance Sheet \***  
**(March 31, 2004)**

<b><u>Assets</u></b>	<u>Yen (millions)</u>	
	<u>March 31, 2004</u>	<u>March 31, 2003</u>
Current assets:		
Cash and deposits	¥ 763,116	¥ 760,804
Trade receivables (notes and accounts)	576,008	586,352
Inventories	192,268	192,158
Other current assets	522,881	503,453
Total current assets	<u>2,054,274</u>	<u>2,042,769</u>
Fixed assets:		
Tangible fixed assets	400,744	425,670
Intangibles	29,788	30,911
Investments and advances	2,733,127	2,563,462
Total fixed assets	<u>3,163,660</u>	<u>3,020,044</u>
Total assets	<u>¥ 5,217,934</u>	<u>¥ 5,062,813</u>
 <b><u>Liabilities and Shareholders' Equity</u></b>		
Current liabilities:		
Trade payables (notes and accounts)	¥ 474,138	¥ 449,193
Accrued income taxes	670	350
Other current liabilities	1,410,907	1,372,335
Total current liabilities	<u>1,885,715</u>	<u>1,821,878</u>
Long-term debt and employee retirement and severance benefits	<u>492,863</u>	<u>472,906</u>
Total liabilities	<u>2,378,579</u>	<u>2,294,785</u>
Shareholders' equity:		
Capital	258,740	258,738
Capital surplus	571,623	564,067
Retained earnings	2,083,833	2,053,767
Unrealized holding gains (losses) of available-for-sale securities	88,976	(1,411)
Treasury stock	<u>(163,817)</u>	<u>(107,134)</u>
Total shareholders' equity	<u>2,839,355</u>	<u>2,768,028</u>
Total liabilities and shareholders' equity	<u>¥ 5,217,934</u>	<u>¥ 5,062,813</u>

\* See notes to parent-alone financial statements on page 18.

**Matsushita Electric Industrial Co., Ltd.**  
**(Parent Alone)**  
**Proposed Allocation of Income\***  
**(Year ended March 31)**

	<u>Yen (millions)</u>	
	<u>2004</u>	<u>2003</u>
Unappropriated retained earnings at end of year	¥ 85,493	¥ 57,035
To be allocated as follows:		
Year-end dividends (per common share)	17,967 (7.75 yen)	14,745 (6.25 yen)
Directors' bonuses	230	200
Corporate auditors' bonuses	17	15
Reserve for advanced depreciation	2,267	1,607
Contingency reserve	24,000	--
Unappropriated retained earnings carried forward to next period	¥ 41,011	¥ 40,467

\* See notes to parent-alone financial statements on page 18.

**Matsushita Electric Industrial Co., Ltd.**  
**(Parent Alone)**  
**Sales Breakdown \***  
**(Year ended March 31)**

	<u>Yen (billions)</u>		<u>Percentage</u>
	<u>2004</u>	<u>2003</u>	<u>2004/2003</u>
<u>AVC Networks</u>			
Video and audio equipment	¥ 725.9	¥ 738.2	98%
Information and communications equipment	1,088.6	1,329.7	82%
Subtotal	1,814.6	2,068.0	88%
<u>Home Appliances</u>			
	740.4	731.8	101%
<u>Components and Devices</u>			
	882.7	832.1	106%
<u>Other</u>			
	643.5	605.9	106%
<b>Total</b>	¥4,081.4	¥4,237.8	96%
Domestic sales	2,440.6	2,717.2	90%
Exports	1,640.7	1,520.6	108%

\* See notes to parent-alone financial statements on page 18.

## **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.

###