

July 29, 2004

**FOR IMMEDIATE RELEASE**

**Media Contacts:**

*Yoshihiro Kitadeya (Japan)*  
(Tel: 06-6949-2293)

*Jim Reilly (U.S.)*  
(Tel: +1-201-392-6067)

*Brendon Gore (Europe)*  
(Tel: +44-20-8899-2217)

**Investor Relations Contacts:**

*Ryuichi Tsuruta*  
*Investor Relations*  
(Tel: 06-6908-1121)

*Akihiro Takei*  
*Panasonic Finance (America), Inc.*  
(Tel: +1-212-698-1365)

*Norio Iino*  
*Panasonic Finance (Europe) plc*  
(Tel: +44-20-7562-4400)

<b>ANNOUNCEMENT OF FINANCIAL RESULTS</b>
--

(Note: Dollar amounts for the most recent period have been translated for convenience at the rate of U.S.\$1.00 = 108 yen.)

**MATSUSHITA REPORTS FIRST QUARTER RESULTS**

***- Earnings up in all segments; first half forecast revised upward -***

Osaka, Japan, July 29, 2004 -- Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]) today reported its consolidated financial results for the first quarter, ended June 30, 2004, of the current fiscal year ending March 31, 2005 (fiscal 2005).

**First-quarter Results<sup>1</sup>**

Consolidated group sales for the first quarter increased 19% to 2,102.0 billion yen (U.S.\$19.46 billion), from 1,763.6 billion yen in the same three-month period a year ago. 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. (MEW), pursuant to the basic agreement between the two companies signed in December 2003. Matsushita subsequently purchased additional shares of MEW in April 2004. As a result, MEW and its group companies are included in Matsushita's consolidated financial reporting, beginning in this first quarter of fiscal 2005. Other reasons cited by the company for improved results

- more -

included strong sales in advance of the Athens Olympics and increased demand for digital equipment. Furthermore, the company's "V-products," particularly digital audiovisual (AV) products sold well in both domestic and overseas markets, while home appliances recorded firm sales gains. Of the consolidated group total, domestic sales increased 28% to 1,052.8 billion yen (\$9.75 billion), compared with 825.1 billion yen a year ago. Overseas sales were up 12%, to 1,049.2 billion yen (\$9.71 billion), from 938.5 billion yen in the first quarter of fiscal 2004. Excluding the effects of currency translation, overseas sales increased 17% from a year ago on a local currency basis<sup>2</sup>.

During the period under review, the economy in Japan continued its recovery, led by increased exports and capital investment, as well as improvements in consumer spending. The global economic situation in the first quarter was positive overall, including steady growth in the United States. The Chinese economy also expanded, despite initiatives to curb a trend of excessive investment.

In fiscal 2005, the first year of Matsushita's three-year "Leap Ahead 21" plan, the company implemented initiatives relating to product competitiveness, enhanced profitability and strengthened overseas operations, all aimed at achieving global excellence and sustainable growth. Regarding product competitiveness, Matsushita is focusing management resources into growth areas, while developing a new line of competitive V-products that feature proprietary "black-box" technologies, incorporate universal design concepts and are environmentally friendly. To enhance profitability, the company is accelerating business restructuring initiatives that will improve productivity. Matsushita is also focusing efforts on the reduction of inventories and overall costs. To strengthen overseas operations, Matsushita will continue to promote simultaneous global product introductions to meet rising worldwide demand for digital products. Finally, through collaboration activities with MEW, the "new Matsushita Group" will provide customers all over the world with solutions for comfortable living, while providing products that are easy to use and inspiring.

Regarding earnings, negative factors such as a strong yen, increased raw materials costs and intensified price competition were more than offset by sales gains, particularly for V-products, cost reductions and other positive factors. As a result,

operating profit<sup>3</sup> for the first quarter more than doubled, to 43.5 billion yen (\$402 million), from 20.0 billion yen in the same three-month period a year ago. During the first quarter, certain of the company's subsidiaries transferred the substitutional portion of the Employees Pension Funds to the Government<sup>4</sup>, and recorded 27.5 billion yen (\$255 million) in other income. This, and other factors, resulted in pre-tax income more than tripling, to 80.5 billion yen (\$745 million), compared with a pre-tax income of 25.2 billion yen in the first quarter of last year. Net income jumped to 32.8 billion yen (\$304 million), from 2.7 billion yen in the same quarter of the previous year.

1. On April 1, 2004, Matsushita acquired a controlling interest in Matsushita Electric Works, Ltd. (MEW). As a result, MEW, PanaHome Corporation (PanaHome) and their respective subsidiaries became consolidated subsidiaries of the company. For more information, see Notes 6 and 7 of Notes to consolidated financial statements on pages 7 and 8.
2. 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.
3. For information about operating profit, see Note 2 of Notes to consolidated financial statements on page 7.
4. For information about the transfer of the substitutional portion of the Employees Pension Funds to the Government, see Note 5 of Notes to consolidated financial statements on page 7.

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

In April 2004, MEW, PanaHome and their respective subsidiaries became consolidated subsidiaries of Matsushita. Accordingly, the company has reclassified its previous five business segments (AVC Networks, Home Appliances, Components and Devices, JVC, and Other) into six new segments, effective April 1, 2004. The six new segments are: AVC Networks, Home Appliances, Components and Devices, MEW and PanaHome, JVC, and Other.

The company's first quarter consolidated sales by reclassified product category, as compared with prior year amounts, are summarized as follows:

#### **AVC Networks**

AVC Networks sales edged down 1% to 835.3 billion yen (\$7.73 billion), from 842.0 billion yen in last year's first quarter. Within this category, sales of video and audio equipment increased 9%, due mainly to strong sales of the company's new VIERA series of flat-panel TVs, as well as continued brisk sales of DVD recorders and other digital AV equipment, which were more than sufficient to offset sales declines in audio equipment.

In information and communications equipment, although increased sales were recorded for PCs and automotive electronics, sales declines in cellular phones, facsimile machines and other products led to an overall 7% decrease in sales.

#### Home Appliances

Sales of Home Appliances increased 9% to 317.3 billion yen (\$2.94 billion), compared with 291.4 billion yen in the first quarter of the previous year. Within this category, products such as washing machines, air conditioners, compressors and ventilating fans all recorded sales gains.

#### Components and Devices

Sales of Components and Devices were also up 9% to 290.6 billion yen (\$2.69 billion), compared with 266.7 billion yen in the same three-month period of the previous year. Although sales of electric motors and batteries decreased from last year's first quarter, sales of semiconductors and general components increased solidly.

#### MEW and PanaHome

Sales of MEW and PanaHome totaled 336.2 billion yen (\$3.11 billion).

#### JVC

Sales for JVC (Victor Company of Japan, Ltd. and its subsidiaries) totaled 172.2 billion yen (\$1.60 billion), down 11% from 192.6 billion yen in the first quarter of the previous year. Although sales of AV equipment increased in the domestic market, overseas sales, particularly in the Americas, declined from the previous year's first quarter. Sales decreases were also recorded in software.

#### Other

Sales for Other were down 12% to 150.4 billion yen (\$1.39 billion), from 170.9 billion yen a year ago. Strong sales were achieved for FA equipment and industrial equipment, however, the reclassification of MEW products into a new segment and other factors contributed to the overall decline.

### **Consolidated Financial Condition**

On a consolidated basis, total assets as of June 30, 2004 were 8,606.5 billion yen, an increase of 1,168.5 billion yen from March 31, 2004. The main reason for this increase was the addition of MEW, PanaHome and their respective subsidiaries in the company's consolidated financial reporting.

### **Outlook for Fiscal 2005 First Half**

Matsushita announced today a revision of its forecast for the fiscal 2005 first half, ending September 30, 2004. For the second quarter, there is still uncertainty about the effects of interest rate hikes in the United States and government policies in China to curb capital expenditures, as well as continued price declines and rising materials costs. However, sales increases of V-products, particularly digital AV equipment, sales gains in home appliances, and the aforementioned transfer of the substitutional portion of the Employees Pension Funds to the Government, all contributed to better-than-expected results in the first quarter.

Taking into consideration the management environment in the second quarter and first quarter results, Matsushita expects first half sales for the current fiscal year to increase 17% from the first half of the previous year, to approximately 4,260 billion yen, compared to the previous forecast of 4,170 billion yen. Consolidated income before income taxes is now expected to more than double from last year's first quarter total to about 125 billion yen. This compares to the original forecast for pre-tax income of 98 billion yen. Net income for the first half is now estimated to be about 45 billion yen, up 94% from the same six-month period last year. The previous forecast for net profit was 28 billion yen.

Due to the uncertainties in the management environment mentioned above, the forecast for the full fiscal year 2005, ending March 31, 2005, remains unchanged from the forecast announced on April 28, 2004.

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 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 Attached)