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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 = 111 yen.)

**MATSUSHITA REPORTS SECOND QUARTER AND FIRST HALF RESULTS**

**- Earnings exceed previous forecast -**

Osaka, Japan, October 28, 2004 -- Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]) today reported its consolidated financial results for the second quarter and first half, and non-consolidated (parent company alone) results for the first half, ended September 30, 2004, of the current fiscal year, ending March 31, 2005 (fiscal 2005).

**Consolidated Second-quarter Results<sup>1</sup>**

Consolidated group sales for the second quarter increased 18% to 2,216.5 billion

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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. Just as in the previously-announced first quarter results, the current second quarter and first half consolidated results include the results of these subsidiaries on a full consolidated basis. For more information, see Notes 6 and 8 of Notes to consolidated financial statements on pages 17 and 18.

yen (U.S.\$19.97 billion), from 1,876.1 billion yen in the same three-month period a year ago. Of the total, domestic sales increased 35% to 1,150.1 billion yen (\$10.36 billion). Overseas sales also improved, up 4% to 1,066.4 billion yen (\$9.61 billion). Excluding the effects of currency translation, overseas sales increased 8% from a year ago on a local currency basis<sup>2</sup>.

During the second quarter, the domestic economy in Japan showed moderate recovery in consumer spending, as well as increases in both exports and capital investment by corporations, although concerns arose regarding inventory adjustments that began in some areas of the electronic components industry and rising materials costs, including crude oil prices. Overseas, the U.S. economy showed modest progress, mainly a result of proactive monetary and low-interest rate policies. Meanwhile, the economy in China also continued high growth, despite government policies to curb excessive capital expenditure.

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 businesses, 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 incorporate proprietary "black-box" technologies, universal design concepts and environmentally friendly features. 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 businesses, Matsushita will continue to promote simultaneous global product introductions to meet rising worldwide demand for digital products for consumer use. Finally, through collaboration activities with Matsushita Electric Works, Ltd. (MEW), the "new Matsushita Group" will provide customers all over the world with solutions for comfortable living based on the concepts of security and brand loyalty, as well as providing products that are easy to use and inspiring.

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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.

Regarding earnings, negative factors such as a strong yen, rising raw materials costs and intensified global price competition were more than offset by sales increases, as well as cost reductions and other positive factors. As a result, operating profit<sup>3</sup> increased to 112.9 billion yen (\$1.02 billion), up 89% compared with 59.6 billion yen in the same three-month period a year ago. In other income (deductions), the company recorded a 4.0 billion yen (\$36 million) gain from the transfer by one of the company's subsidiaries of the substitutional portion of the Employees Pension Funds (EPF) to the Government<sup>4</sup>, and incurred restructuring charges of 44.3 billion yen (\$399 million), including expenses associated with the implementation of early retirement programs at certain of the company's domestic subsidiaries. These, and other factors, resulted in a 77% increase in income before income taxes to 56.8 billion yen (\$512 million), from 32.1 billion yen in last year's second quarter. Net income for the second quarter totaled 23.4 billion yen (\$210 million), up 14% from 20.4 billion yen in the same quarter of the previous year.

This resulted in a net income per common share of 10.10 yen (\$0.09) on a diluted basis in the second quarter, versus 8.68 yen on the same basis a year ago.

### **Consolidated First-half Results**

Combining the second quarter results with those of the first quarter, consolidated group sales for the first fiscal half ended September 30, 2004 increased 19% to 4,318.5 billion yen (\$38.91 billion), compared with 3,639.7 billion yen in the same six-month period a year ago. Domestic sales increased 31% to 2,202.9 billion yen (\$19.85 billion), while overseas sales were up 8% to 2,115.6 billion yen (\$19.06 billion). Excluding the effects of currency translation, overseas sales increased 12% from a year ago on a local currency basis.

For reasons similar to those given for second quarter results, the company's operating profit for the first fiscal half increased 96% to 156.3 billion yen (\$1.41 billion), from 79.6 billion yen in the comparable period a year ago.

Income before income taxes for the six-month period more than doubled (up

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3. For information about operating profit, see Note 2 of Notes to consolidated financial statements on page 17.

4. For information about the transfer of the substitutional portion of the EPF to the Government, see Note 5 of Notes to consolidated financial statements on page 17.

140%) to 137.3 billion yen (\$1.24 billion), compared with 57.3 billion yen a year ago. In other income (deductions), the company incurred restructuring charges of 48.2 billion yen, while recording a 31.5 billion yen gain from the transfer of the substitutional portion of the EPF to the Government. Net income was also up, increasing 143% to 56.2 billion yen (\$506 million), as compared with 23.1 billion yen in the first half of the previous year. The company's net income per common share was 24.26 yen (\$0.22) on a diluted basis, versus 9.83 yen in the first half of last year.

### **Consolidated First-half Sales Breakdown by Product Category**

Effective April 1, 2004, the company reclassified its previous five product categories (AVC Networks, Home Appliances, Components and Devices, JVC, and Other) into six new product categories to reflect the consolidation of MEW, PanaHome and their respective subsidiaries<sup>1</sup>. The six new product categories are: AVC Networks, Home Appliances, Components and Devices, MEW and PanaHome, JVC, and Other.

An unusually hot summer in Japan, rising demand for digital audiovisual (AV) products and consumer demand related to the Athens Olympics contributed to steady sales gains in digital AV products, including V-products, as well as Home Appliances, and Components and Devices. The consolidation of MEI and PanaHome is also a factor for the increase in consolidated sales. The company's first-half consolidated sales by reclassified product category, as compared with prior year amounts, are summarized as follows:

#### **AVC Networks**

AVC Networks sales increased 1% to 1,746.0 billion yen (\$15.73 billion), from 1,726.5 billion yen in the same six-month period a year ago. Within this category, sales of video and audio equipment increased 9%, due mainly to strong sales of digital AV products, such as flat-panel TVs and digital cameras, which were more than sufficient to offset sales declines in audio equipment.

Sales of information and communications equipment were down 4% from the previous year's first half. Although increased sales were recorded for PCs and automotive electronics, sluggish sales in cellular phones, fixed-line telephones and facsimile machines led to an overall decline.

### Home Appliances

Sales of Home Appliances increased 4% to 609.4 billion yen (\$5.49 billion), compared with 586.2 billion yen in the previous year's first half. Within this category, products such as air conditioners and compressors recorded sales gains, due mainly to an unusually hot summer in Japan. Sales of washing machines and ventilating fans also increased.

### Components and Devices

Sales of Components and Devices were up 4% to 582.5 billion yen (\$5.25 billion), compared with 562.7 billion yen in the first half of the previous year. Although sales of electric motors and batteries decreased from the same period a year ago, sales of semiconductors and general components increased steadily.

### MEW and PanaHome

Sales of MEW and PanaHome (MEW, PanaHome and their respective subsidiaries) totaled 711.6 billion yen (\$6.41 billion).

### JVC

Sales for JVC (Victor Company of Japan, Ltd. and its subsidiaries) totaled 354.2 billion yen (\$3.19 billion), down 12% from 403.7 billion yen in the first half of the previous year. Whereas sales of AV equipment increased in the Japanese domestic market, overseas sales, particularly in the Americas, declined from the same period a year ago. Sales decreases were also recorded in software.

### Other

Sales for Other were down 13% to 314.8 billion yen (\$2.84 billion), from 360.6 billion yen a year ago. Strong sales were achieved for factory automation (FA) equipment and industrial-use equipment. However, the reclassification of MEW products (those traditionally sold through the parent company) into a new product category (MEW and PanaHome) resulted in overall lower sales.

### **Consolidated Financial Condition**

Net cash provided by operating activities in the fiscal 2005 first half amounted to 146.5 billion yen (\$1.32 billion). This was attributable to improved net income and an increase in depreciation, despite increased inventories caused by seasonal factors. Net cash used in investing activities amounted to 26.8 billion yen (\$0.24 billion). This was

attributable mainly to capital expenditures of 134.6 billion yen in manufacturing facilities for priority business areas such as semiconductors, despite an increase in cash flows due to the consolidation of MEW and PanaHome. Net cash used in financing activities was 157.4 billion yen (\$1.42 billion). Major factors included a repurchase of the company's common stock and the transfer of certain employee deposits and advances to external institutions. All these activities resulted in cash and cash equivalents of 1,253.6 billion yen (\$11.29 billion) at the end of the fiscal 2005 first half.

The company's consolidated total assets as of September 30, 2004 increased 967.3 billion yen as compared with the end of the last fiscal year (March 31, 2004), to 8,405.4 billion yen (\$75.72 billion). The increase was mainly due to the consolidation of MEW and PanaHome. Stockholders' equity increased 153.0 billion yen, as compared with the end of the last fiscal year (March 31, 2004), to 3,604.6 billion yen (\$32.47 billion) as of September 30, 2004. This increase was due to an increase in retained earnings and a decrease in accumulated other comprehensive loss, owing to the return to the Government of the substitutional portion of the EPF that resulted in a decrease in minimum pension liability adjustments, despite an increase in treasury stock on continued repurchases of the company's own shares.

#### **Non-Consolidated (Parent Company Alone) First Half Results**<sup>5</sup>

First-half parent-alone sales increased 6% to 2,071.3 billion yen, from 1,958.9 billion yen in the same six-month period a year ago. Sales increases were recorded in all product categories.

Regarding parent-alone earnings, operating profit totaled 59.7 billion yen, up 288% from 15.4 billion yen a year ago. This increase was realized mainly by sales gains and various cost reduction initiatives. Recurring profit also increased 27% to 68.1 billion yen, from 53.7 billion yen in the previous first half. In addition to operating profit, factors affecting recurring profit included dividend income and provisions for losses on investments. Parent-alone net income increased, up 10% to 50.4 billion yen, from 45.9 billion yen in the first half of last year, despite restructuring charges of 11.5 billion yen.

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

### **Interim Dividend**

The Board of Directors of the company voted today to distribute an interim (semiannual) cash dividend of 7.50 yen per common share to shareholders of record on September 30, 2004, payable November 30, 2004. This dividend rate is changed from the interim dividend of last year (6.25 yen), based on a new policy for profit distribution to shareholders (see page 26).

### **Year-end Dividend**

The Board of Directors of the company also voted today in favor of a plan to propose a year-end cash dividend of 7.50 yen per common share (payable to shareholders of record on March 31, 2005) subject to approval at the company's ordinary general meeting of shareholders to be held in June 2005. If implemented, total dividends for fiscal 2005, including the aforementioned interim dividend of 7.50 yen per common share, will be 15.00 yen per common share (see page 26).

### **Outlook for the Full Fiscal Year 2005**

Regarding the business environment for the second half of fiscal 2005, the company currently expects to encounter severe conditions, such as wide-spreading concern for slower economic growth in Japan and the United States, ever intensifying global price competition, and increasing oil prices. Considering these conditions, Matsushita, as of today, has not changed its previous forecast for the full fiscal year 2005, announced on April 28, 2004. At that time, the company forecasted fiscal 2005 sales on a consolidated basis to increase by about 18%, compared to fiscal 2004, to approximately 8,800 billion yen. The operating profit outlook is also unchanged from April 28, 2004, at which time the company forecasted fiscal 2005 operating profit to increase by about 43% from fiscal 2004 to approximately 280 billion yen, with consolidated income before income taxes<sup>6</sup> anticipated to rise to approximately 230 billion yen, up 35% from fiscal 2004. Net income was expected to improve to approximately 63 billion yen, an increase of 49% from the previous fiscal year. This forecast also remains unchanged.

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6. Other income (deductions) affecting the forecast of income before income taxes consists of "other income" expected to amount to 25 billion yen, and "restructuring charges" forecasted at 75 billion yen.

Similarly, on a parent company alone basis, Matsushita did not alter its forecast made on April 28, 2004. At that time, sales in fiscal 2005 were expected to decrease by 2%, compared to fiscal 2004, to approximately 4,020 billion yen. Recurring profit was projected to increase 1% from fiscal 2004 to approximately 106 billion yen, and net income was forecast to increase 21% from fiscal 2004 to approximately 72 billion yen.

The company will review these forecasts again, and make any announcement regarding a revision at the time of the announcement of fiscal 2005 third quarter results.

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://panasonic.co.jp/global/> and the IR web site at: <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 them, 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 Attached)