

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 Providing Return to Shareholders

Matsushita has steered management operations recognizing the importance of profit return to shareholders since the company's establishment. Historically, Matsushita has distributed dividends at a stable level to its shareholders, however, concurrently with the implementation of its mid-term growth strategy, Matsushita aims for providing return to shareholders, taking into consideration the results of operations, in order to further implement shareholder-oriented management.

In particular, Matsushita will provide return to shareholders through dividend payments and own share repurchases, upon careful consideration of consolidated free cash flows*.

1) Dividends:

From the perspective of return on the capital investment made by shareholders, Matsushita will, in principle, distribute profits to shareholders based on its consolidated business performance. Matsushita aims for promoting stable and continuous growth of return to shareholders, while at the same time taking into consideration various factors including mid-term business performance, capital expenditures requirements and the company's financial condition.

2) Own share repurchases:

Matsushita will implement shareholder-oriented management by enhancing shareholder value per share through a reduction, in effect, of the number of issued and outstanding shares. This will be accomplished by repurchasing the company's own shares with surplus cash flows. Concurrently, Matsushita aims to enhance its business value by utilizing treasury stock for various business strategies.

Based upon the new policy described above, Matsushita increased an interim (semiannual) cash dividend per common share for the current fiscal year from 6.25 yen to 7.50 yen to shareholders of record on September 30, 2004, payable November 30, 2004, and also revised the year-end cash dividend forecast upward from 6.25 yen to 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.

*Matsushita defines "free cash flows" as the sum of net cash provided by operating activities and net cash used in investing activities.

(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 looked into a possibility of exercising 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 general 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. Meanwhile 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 one of the top-class global companies 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. From fiscal 2005, the first year of the plan, through fiscal 2007, Matsushita is implementing various measures to "secure its growth track" as follows:

<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, surpassing the previous year's result. During the first half of fiscal 2005, sales of flat panel TVs, digital cameras and air conditioners, among others, recorded strong sales of about

600 billion yen as a total for V-products. Matsushita intends to continuously develop these new V-products with emphasis on the application of proprietary “black-box” technologies, universal design 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 its 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 DVD-related products.

3. Overseas Strategy

Matsushita will continue its ongoing initiatives to strengthen overseas operations as a corporate growth engine. In particular, Matsushita will further promote the simultaneous global product introduction of new strategic products. In China, as a priority region, the company will construct the Matsushita Hangzhou Industrial Park in Zhejiang Province, which the company positions as the strategically important production hub for its home appliances business in the country. By expanding and building up production bases, the company will strive to achieve approximately 1 trillion yen in total production in China in fiscal 2006, and target to achieve sales of about 1 trillion yen in fiscal 2007.

4. Strengthening the Company’s Financial Structure

Matsushita will enhance its earnings capability and financial structure, by thoroughly conducting rationalization of materials purchasing costs and inventories reduction, 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)

Through the comprehensive collaboration that Matsushita started with MEW in fiscal 2005, the two companies seek to enhance corporate value for the new Matsushita Group with an optimum management structure being developed 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. Matsushita and MEW agreed to integrate the electrical supplies, building materials and equipment, and home appliances businesses of the two, based upon the

fundamental goal of making the best use of each companies' strength in overlapping areas in R&D, manufacturing and sales. Matsushita's Panasonic Center and MEW's Shiodome Showroom were renovated to be the main corporate communications facilities for the new Matsushita Group. The two showrooms were remodeled and reopened in the new names of "Panasonic Center Tokyo" and "National Center Tokyo" where customers can see and feel "Progress and Excitement" first hand.

(5) Corporate Governance, Concept and Initiatives

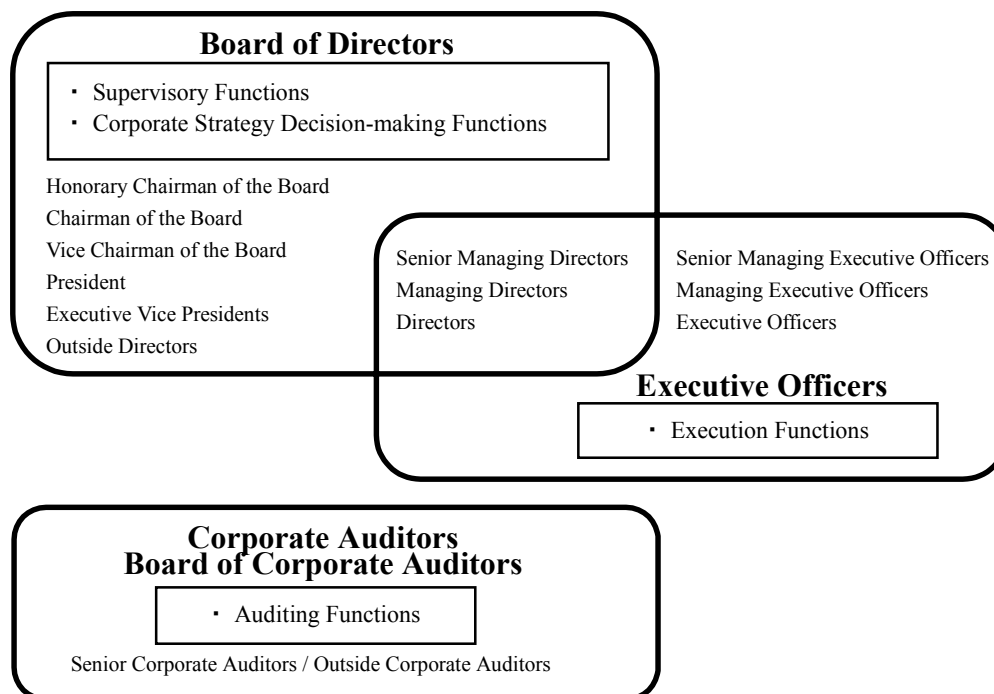
1. A New Structure that Enables Enhanced Governance

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 drastic reforms to establish an optimum management and governance structure tailored to the Group's new business domain-based organizational structure. Under the new structure, Matsushita has empowered each of the business domain companies by delegating authority in order to thoroughly implement their autonomously responsible management. At the same time, an Executive Officer System, for execution of business at various domestic and overseas Group companies, was introduced, also facilitating the development of optimum corporate strategies that integrate the Group's comprehensive strengths. In addition, Matsushita 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. Specifically, 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 has, however, opted to 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 augment 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.

Corporate Governance Structure



2. Establishment of Internal Control Structure over Financial Reporting and Corporate Disclosure

Since last year, 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 by implementing self-assessment (self-check), in addition to regular internal auditing, at all organizational units 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 has been checking the propriety of statements and descriptions in the company’s annual reports, while confirming that of procedures regarding disclosure controls.

3. Compliance, etc.

In 1992, the company established the “Code of Conduct” for Directors, Executives, Corporate Auditors and employees, which was further amended in 1998. In addition,

the company newly established the “Code of Ethics for Directors and Executive Officers,” with which it encourages its Directors on the Board and Executive Officers to fully comply with the code to show good examples to employees. 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 providing training seminars. Furthermore, 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 toward the identification and solution of possible problems.