

## **Management Policy**

### **(1) Basic Policy for Corporate Management**

Since its establishment, Matsushita has operated its businesses 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 relationships with all stakeholders.

### **(2) Basic Policy for Providing Return to Shareholders**

Since the company's founding, Matsushita has managed its businesses in a manner reflecting the company's belief in the importance of profit return to shareholders. In fiscal 2005, ended March 2005, along with the implementation of a new mid-term growth strategy, Matsushita implements a policy regarding returns to shareholders which takes into consideration its consolidated business performance.

Specifically, Matsushita will provide return to shareholders through dividend payments and own share repurchases, upon careful consideration of consolidated 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 also 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 expenditure requirements and the company's financial condition.

#### **2) Own share repurchases:**

Matsushita will provide return to shareholders by enhancing shareholder value per share through a reduction, in effect, of the number of outstanding shares. This will be accomplished by repurchasing the company's own shares with surplus cash flows.

In line with the policy described above, for fiscal 2006 Matsushita distributed an interim cash dividend of 10 yen per common share, and also plans to pay 10 yen per common share as the year-end cash dividend, subject to approval at the company's

ordinary general meeting of shareholders to be held in June 2006. If implemented, total cash dividends for fiscal 2006 will be 20 yen per common share.

For details about annual dividends and own share repurchases for fiscal 2007, ending March 2007, see separate press releases issued today, “Matsushita Announces Plans to Increase Dividends for Fiscal 2007” and “Matsushita to Execute Own Share Repurchase.”

### **(3) Company’s Policy on Reduction of the Share Trading Unit Size**

Matsushita has given careful consideration as to whether or not it should avail itself to reduce the number of shares per unit for trading (“share trading unit”) on stock markets in Japan, 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 renewal of the company’s investor relations website, more detailed business reports to shareholders and improved general shareholder meeting arrangements. Since Matsushita is aware that a reduction in the share trading unit size is an effective method for broadening its individual shareholder base, the company will continue to discuss and evaluate possible benefits resulting from a reduction in the share trading unit size.

### **(4) Corporate Management Strategies and Challenges**

The Matsushita Group aims to achieve, through cutting-edge technologies, global excellence in 2010 by pursuing the two visions of contributing to the realization of a ubiquitous networking society and coexistence with the global environment. The global economic outlook for fiscal 2007, ending March 31, 2007, remains uncertain, due mainly to various factors such as rising crude oil and raw materials prices. In the electronics industry, Matsushita expects ever-intensified competition to continue. In fiscal 2007, the final year of the mid-term management plan Leap Ahead 21, Matsushita will further accelerate growth strategies and strengthen management structures.

### **<Major Activities Undertaken in Fiscal 2006>**

Matsushita viewed fiscal 2006, the second year of the 3-year management plan

ending March 31, 2007, as a crucial year in establishing growth at each business domain company. To achieve the goals of this management plan, the company implemented growth strategies and strengthened management structures, as described below.

- Matsushita aggressively launched and promoted a new series of V-products to capture top shares in high-volume markets and make a significant contribution to overall business results. Sales of these products increased not only in plasma TVs, digital cameras and other digital AV equipment, but also in home appliances, led by revolutionary refrigerators, featuring top-unit compressors to increase internal capacity, tilted-drum washing machines with efficient heat-pump dryers and air conditioners with automatic filter cleaning and dust removal functions.
- The company also continued its focus on simultaneous global product introductions in digital AV and other product categories to continually expand priority businesses. A good example of success through this strategy is the plasma TV business. Matsushita has captured high market shares in Japan, the United States and Europe through the simultaneous introduction of plasma TVs in these regions. To further establish the company's position as the industry leader, Matsushita announced the world's largest plasma display. At 103 inches, this product demonstrates Matsushita's unparalleled technologies in the plasma TV field.
- Regarding capital expenditures, the company maintained its policy of concentrating investments into strategic areas. In fiscal 2006, these included a new PDP factory in Amagasaki, which commenced operations in September 2005, Matsushita Hangzhou Industrial Park in China, and a new factory for state-of-the-art system LSIs in Uozu, Japan.
- Through collaboration with MEW, Matsushita launched Collaboration V-products such as bathroom systems, modular kitchen systems and air purifiers, while utilizing MEW marketing channels to increase sales of air conditioners.
- Aiming to reinforce its management structures, the company has made all-out efforts to reduce materials costs and other expenses. These activities, including company-wide cost reduction activities, have contributed to enhanced profitability, despite a severe management environment. Matsushita also carried out selection

and concentration of management resources, restructuring at various locations and other reforms within each business domain company.

## **<Principal Initiatives for Fiscal 2007>**

### 1. V-Products

Matsushita will place particular emphasis on V-products, which feature black-box technologies, and are essential to the company's growth strategy. In fiscal 2007, the company expects sales of 1.8 trillion yen in a total of 82 product categories. To achieve this, Matsushita will carry out intensive marketing campaigns that focus on product functions and features. Furthermore, Matsushita will expand the scope of simultaneous global introductions in terms of both products and regions. Through these and other initiatives, Matsushita aims to increase market share and solidify its competitive position in global markets.

### 2. Investment Strategy

Regarding capital expenditures, Matsushita will continue to focus investment into strategic businesses. In PDPs, the company announced the construction of a fourth domestic factory in Amagasaki, Japan, where operations are scheduled to commence in fiscal 2008. Including the new factory, Matsushita will increase annual production capacity of PDPs to 11.5 million units by fiscal 2009, enabling the company to meet rapidly expanding global demand.

### 3. Overseas Strategy

Matsushita will also strengthen overseas operations, which serve as a "growth engine" for the entire Matsushita Group. The company will select products and sales channels according to specific strategies in each region or country, and concentrate management resources accordingly. In the growing market such as China and Russia, as well as Europe and the United States, the company will strive to strengthen sales initiatives, aiming at expanding sales.

### 4. Strengthened Management Structure

In order to further strengthen management structures, Matsushita implemented the Next Cell Production Project, which will facilitate a more flexible manufacturing structure. In fiscal 2007, the company intends to further take advantage of information technology (IT) in promoting large-scale inventory reduction activities.

Meanwhile, through the Corporate Cost Busters Project, the company will eliminate redundancies throughout all areas of business, to enhance profitability.

#### 5. Collaboration with MEW

Matsushita strives to achieve further success through collaboration with MEW, by integrating the components and devices and black-box technologies of both companies, in addition to comprehensive utilization of sales channels and augmented overseas businesses.

#### **(5) Matters concerning the parent company**

Matsushita has no parent company.