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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 = 115 yen.)

# MATSUSHITA REPORTS FIRST QUARTER NET PROFIT INCREASE

***- First-half Forecast Revised on Favorable First Quarter Results -***

Osaka, Japan, July 26, 2006 -- Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]) today reported its consolidated financial results for the first quarter, ended June 30, 2006, of the current fiscal year ending March 31, 2007 (fiscal 2007).

## First-quarter Results

Consolidated group sales for the first quarter increased 4% to 2,136.9 billion yen (U.S.$18.58 billion), from 2,048.2 billion yen in the same three-month period a year ago. Explaining the first quarter results, the company cited sales gains in digital audiovisual (AV) products, especially V-products, both in Japan and overseas. Of the consolidated group total, domestic sales amounted to 1,061.9 billion yen ($9.23 billion), mostly unchanged from 1,064.7 billion yen a year ago. Overseas sales increased 9%, to 1,075.0 billion yen ($9.35 billion), from 983.5 billion yen in the first quarter of fiscal 2006, caused by favorable sales by all regions, represented by a sharp sales increase in Europe mainly as a result of strong sales of flat panel TVs.

During the first quarter under review, the global economy continued steady growth overall, with strong economic conditions in the United States and China, as well as the economic growth in Japan with favorable capital investment and consumer spending. Meanwhile, in the electronics industry as a whole, a severe business environment continued due primarily to rising raw materials prices and continuous price declines mainly in digital AV products caused by intensified global competition. Under these circumstances, Matsushita strives to implement growth strategies and strengthen management structures to ensure its future growth trend.

Matsushita aggressively launched and promoted a new series of V-products to capture the top shares in the markets and make a significant contribution to overall business results. The company also continued collaboration activities with Matsushita Electric Works, Ltd. (MEW), whereby combining differentiated technologies and utilizing mutual sales channels. Furthermore, 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.

Regarding earnings, despite intensified global price competition and rising raw materials prices, increased sales, comprehensive cost reduction efforts and other positive factors boosted operating profit[1] for the first quarter to 65.1 billion yen ($566 million), up 41% from 46.0 billion yen in the same period a year ago. Pre-tax income also increased 14% to 75.4 billion yen ($656 million), despite other income (deduction) decreased by 9.9 billion yen due mainly to the previous year's 10.3 billion yen gain from the sale of shares of Matsushita Leasing & Credit Co., Ltd. (MLC)[2]. Net income increased 7% to 35.8 billion yen ($312 million), from 33.4 billion yen in the same quarter of the previous year.

[1] For information about operating profit, see Note 2 of Notes to consolidated financial statements on page 12.
[2] For information about the sale of shares of MLC, see Note 3 of Notes to consolidated financial statements on page 12.

**Consolidated Sales Breakdown by Product Category**

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

*AVC Networks*

AVC Networks sales increased 4% to 877.8 billion yen ($7.63 billion), compared with 846.2 billion yen in the same period of the previous year. Sales of video and audio equipment increased 14% from the previous year, due mainly to strong sales of digital AV products, such as plasma TVs and digital cameras.

Sales of information and communications equipment decreased 3%, mainly as a result of a substantial sales decline of mobile phones in Japan and overseas, although sales gains were recorded in PCs and automotive electronics equipment.

*Home Appliances*

Sales of Home Appliances increased 2% to 313.7 billion yen ($2.73 billion), compared with 308.4 billion yen in the previous year. Within Home Appliances, despite sluggish sales of air conditioners associated with cold summer in Europe and China, sales gains were recorded in refrigerators and washing machines, resulting in overall increased sales.

*Components and Devices*

Sales of Components and Devices increased 7% to 270.1 billion yen ($2.35 billion), compared with 251.6 billion yen in the previous year. Strong sales in general electronic components, semiconductors, batteries and electric motors led to overall sales gains in this category.

*MEW and PanaHome*

Sales of MEW and PanaHome increased 7% to 367.4 billion yen ($3.19 billion) from 342.7 billion yen a year ago. At MEW and its subsidiaries, sales gains were recorded with favorable sales in electrical construction materials, electronic and plastic materials and automation controls. At PanaHome Corporation, favorable sales in detached housing contributed to increased sales. Accordingly, overall sales growth was achieved in this category.

*JVC*

Sales for JVC (Victor Company of Japan, Ltd. and its subsidiaries) increased 1% to 150.2 billion yen ($1.31 billion), from 148.9 billion yen a year ago. Despite sluggish sales of DVD recorders, sales gains were recorded in camcorders and LCD TVs, resulting in overall increased sales compared with a year ago.

*Other*

Sales for Other increased 5% to 157.7 billion yen ($1.37 billion), from 150.4 billion yen a year ago. Strong sales were recorded in factory automation (FA) equipment, resulting in overall increased sales in this category.

**Consolidated Financial Condition**

Net cash provided by operating activities for the first quarter of fiscal 2007 amounted to 107.9 billion yen ($939 million), primarily attributable to net income and depreciation. Net cash used in investing activities amounted to 247.0 billion yen ($2.15 billion). Capital expenditures for tangible fixed assets amounted to 91.7 billion yen ($797 million), including manufacturing facilities for priority business areas such as semiconductors and plasma display panels, while time deposits increased 130.0 billion yen from the end of fiscal 2006 (March 31, 2006). Net cash used in financing activities was 83.3 billion yen ($724 million), including a repurchase of the company's common stock and the payments of dividends. All these activities resulted in a balance of cash and cash equivalents of 1,441.6 billion yen ($12.54 billion) at the end of June 2006, whereby the company's cash balance decreased 225.8 billion yen from the end of fiscal 2006.

The company's consolidated total assets as of June 30, 2006 increased 6.3 billion yen to 7,970.9 billion yen ($69.31 billion), as compared with 7,964.6 billion yen at the end of fiscal 2006. This increase was due primarily to an increase in inventories for seasonal factors. Stockholders' equity decreased 54.5 billion yen, as compared with the end of the last fiscal year, to 3,733.1 billion yen ($32.46 billion). Despite an increase in other retained earnings, this result was due mainly to a decrease in accumulated other comprehensive income and an increase in treasury stock on repurchases of the company's own shares.

**Outlook for Fiscal 2007 First Half**

The company expects a severe environment to persist in the second quarter of fiscal 2007 with continuing price declines caused by ever-intensified price competitions and increases in crude oil and other raw materials prices. However, Matsushita today announced an upward revision of its forecast for the fiscal 2007 first half, ending September 30, 2006. This upward revision is due mainly to favorable sales in digital AV products, including flat-panel TVs, and the successful introduction of V-products. On a consolidated basis, Matsushita expects sales for the first half to increase by 90 billion yen to 4,340 billion yen, compared with the previous forecast of 4,250 billion yen. Meanwhile, the revised forecast for income before income taxes is 190 billion yen, up from the previous forecast of 160 billion yen. This upward revision is due mainly to the aforementioned sales increases and an expected gain from the sale of property, plant and equipment in the first half of fiscal 2007. Net income for the first half is now estimated to be about 90 billion yen, compared with the previous forecast of 70 billion yen.

The forecast for the full fiscal year 2007, ending March 31, 2007, remains unchanged from the forecast announced on April 28, 2006.

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 and Frankfurt[3] stock exchanges.

For more information, please visit the following Web sites:

Matsushita home page URL: http://panasonic.net/

Matsushita IR Web site URL: http://ir-site.panasonic.com/

[3] Matsushita delisted its shares from the Amsterdam Stock Exchange in June 2006, and plans to complete delisting procedures for the Frankfurt Stock Exchange in August 2006.

***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, China 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, the Chinese yuan, 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; the possibility of incurring expenses resulting from any defects in products or services of the Matsushita Group; the possibility that the Matsushita Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, and deferred tax assets; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes and other events that may negatively impact business activities of the Matsushita Group. The factors listed above are not all-inclusive and further information is contained in Matsushita's latest annual report on Form 20-F, which is on file with the U.S. Securities and Exchange Commission.*

(Financial Tables and Additional Information Attached)