

July 28, 2005

**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 = 110 yen.)

**MATSUSHITA REPORTS FIRST QUARTER NET PROFIT INCREASE**

**- V-Products Spur Earnings Gains Despite Severe Economic Conditions -**

Osaka, Japan, July 28, 2005 -- Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]) today reported its consolidated financial results for the first quarter, ended June 30, 2005, of the current fiscal year ending March 31, 2006 (fiscal 2006).

**First-quarter Results**

Consolidated group sales for the first quarter decreased 3% to 2,048.2 billion yen (U.S.\$18.62 billion), from 2,102.0 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, as well as an increase in domestic sales of air conditioners, a result of collaboration with Matsushita Electric Works, Ltd. (MEW). Such gains, however, were offset by sales declines in components and devices, particularly semiconductors and general components. Of the consolidated group total, domestic sales increased 1% to 1,064.7 billion yen (\$9.68 billion), from 1,052.8 billion yen a year ago. Overseas sales were down 6%, to 983.5 billion yen (\$8.94 billion), from 1,049.2 billion yen in the first quarter of fiscal 2005.

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During the first quarter, the Japanese economy continued a moderate recovery with steady consumer spending and further inventory adjustments in the information technology (IT) industry. However, concerns about the prospects of a full recovery in the Japanese economy remained, due to negative factors such as sluggish exports, price increases in crude oil and other raw materials, price declines in digital products, as well as stagnant capital investment in the private sector. Meanwhile, the global economy slowed somewhat since the second half of last year. In particular, the European economy remains in a severe condition due to a downturn in exports and sluggish consumer spending. In China, initiatives to curb excessive capital investment continue, while shipments to retailers have declined due to relatively high inventory levels. Economic conditions in the United States were favorable, with steady growth in housing investment and consumer spending. However, the outlook for the U.S. economy is still uncertain due mainly to rising interest rates and crude oil prices. Under these circumstances, Matsushita is now focusing efforts to accelerate growth strategies and strengthen management structures to achieve the goals of the three-year Leap Ahead 21 plan.

As part of such efforts, the company successfully launched a new series of V-products and promoted the simultaneous introduction of flat-panel TVs in Japan, the United States and Europe, resulting in increased market share. Meanwhile, the company promoted collaboration activities with MEW to launch "Collaboration V-products," such as modular kitchens, which are developed through integrated black-box technologies from Matsushita and MEW. Furthermore, to strengthen management structures, Matsushita launched a "Next Cell Production Project," to achieve further reductions in inventories and improve cost competitiveness. Also, a "Second Corporate Cost Busters Project" was launched to enhance profitability by eliminating redundancies throughout the Matsushita group.

Regarding earnings, negative factors such as intensified global price competition and increased raw materials costs, including crude oil prices, were more than offset by comprehensive cost reduction efforts, the effects of restructuring initiatives implemented

in the preceding fiscal year and other positive factors. As a result, operating profit<sup>1</sup> for the first quarter was up 6%, to 46.0 billion yen (\$418 million), from 43.5 billion yen in the same period a year ago. Pre-tax income totaled 66.2 billion yen (\$602 million), including a 10.3 billion yen gain from the sale of shares of Matsushita Leasing & Credit Co., Ltd. (MLC). The pre-tax income was down 18% from 80.5 billion yen last year, when the company recorded a 27.5 billion yen gain from the transfer of the substitutional portion of the Employees Pension Funds (EPF) to the Government<sup>2</sup>. Net income increased 2% to 33.4 billion yen (\$304 million), from 32.8 billion yen in the same quarter of the previous year.

### **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 were up 1% to 846.2 billion yen (\$7.69 billion), from 835.3 billion yen in last year's first quarter. Despite declines in audio equipment, sales of video and audio equipment increased slightly from the previous year, due mainly to favorable sales in flat-panel TVs and digital cameras.

In information and communications equipment, overseas sales were down in cellular phones, facsimile machines and other products. However, strong sales of PCs and automotive electronics led to a 2% increase overall.

#### **Home Appliances**

Sales of Home Appliances decreased 3% to 308.4 billion yen (\$2.80 billion), compared with 317.3 billion yen in last year's first quarter. The transfer of certain product categories to MEW led to the overall sales decline, although sales gains were recorded in such areas as air conditioners, ventilating fans and microwave ovens.

#### **Components and Devices**

Sales of Components and Devices were also down 13% to 251.6 billion yen (\$2.29

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<sup>1</sup> For information about operating profit, see Note 2 of Notes to consolidated financial statements on page 11.

<sup>2</sup> For information about the transfer of the substitutional portion of the EPF to the Government, see Note 6 of Notes to consolidated financial statements on page 11.

billion), compared with 290.6 billion yen in the same three-month period of the previous year. Sales of semiconductors, general components and batteries decreased from last year's first quarter.

#### MEW and PanaHome

Sales of MEW and PanaHome increased 2% to 342.7 billion yen (\$3.12 billion), from 336.2 billion yen last year. Sales gains at MEW were recorded in electronic and plastic materials, including industrial-use lighting fixtures, while sales gains at PanaHome Corporation (PanaHome) were recorded in detached housing and home remodeling.

#### JVC

Sales for JVC (Victor Company of Japan, Ltd.) totaled 148.9 billion yen (\$1.35 billion), down 14% from 172.2 billion yen in the first quarter of the previous year. This result is due primarily to sluggish sales of consumer-use products overseas.

#### Other

Sales for Other remained at 150.4 billion yen (\$1.37 billion), the same level as previous year. Sales increases in products such as welding machines were recorded within this category.

#### **Consolidated Financial Condition**

On a consolidated basis, total assets as of June 30, 2005 were 8,122.9 billion yen, an increase of 66.0 billion yen from March 31, 2005. This result is due mainly to an increase in inventories resulting from seasonal factors. Stockholders' equity increased 9.9 billion yen due to an increase in retained earnings and accumulated other comprehensive income, despite an increase in treasury stock from continued repurchases of the company's own shares.

#### **Outlook for Fiscal 2006 First Half**

The company expects a severe environment to persist in the second quarter of fiscal 2006, with continuing price declines and increases in crude oil prices. However, Matsushita today announced an upward revision of its forecast for the fiscal 2006 first half, ending September 30, 2005, due to favorable business results

in the first quarter. On a consolidated basis, Matsushita expects sales for the first half to increase by 40 billion yen to 4,190 billion yen, compared with the previous forecast of 4,150 billion yen. This upward revision is due mainly to favorable sales in digital AV products, including flat-panel TVs, the successful introduction of V-products and sales increases from collaboration with MEW in areas such as air conditioners. Meanwhile, the revised forecast for income before income taxes is 125 billion yen, up from the previous forecast of 105 billion yen. This upward revision is due mainly to the aforementioned sales increases and a net gain on the sale of securities in the first quarter. Net income for the first half is now estimated to be about 50 billion yen, compared with the previous forecast of 35 billion yen.

Due to the uncertainties in the business environment mentioned above, the forecast for the full fiscal year 2006, ending March 31, 2006, remains unchanged from the forecast announced on April 28, 2005.

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, please visit the following Web sites:

Matsushita home page URL: <http://panasonic.co.jp/global/>

Matsushita IR Web site 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, 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; 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; 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.*

(Financial Tables and Additional Information Attached)