

To Our Stakeholders

Matsushita is deeply concerned about the inconvenience caused to a great many people by defects in certain FF (Forced Flue)-type kerosene fan heaters which were manufactured and sold in Japan between 1985 and 1992. In addition to company-wide recall efforts, product inspections and repairs of affected models, Matsushita, through the Corporate FF Customer Support & Management Division, is adopting a variety of emergency countermeasures in cooperation with all relevant parties to ensure this unfortunate incident is not repeated. Going forward, Matsushita will coordinate a comprehensive review of product safety standards and continue to make every effort to maintain the confidence of stakeholders.

As the midpoint of the three-year management plan Leap Ahead 21, the fiscal year ended March 31, 2006 (fiscal 2006) was a pivotal year in establishing a foundation to achieve the Company's goals. Matsushita aggressively launched and promoted a wide range of competitive products, including plasma TVs, and selectively invested in growth fields with the aim of enhancing strategic businesses. Matsushita also reinforced its management structure by reducing materials costs and implementing comprehensive cost reduction activities on a company-wide basis. Through these activities, the Company achieved an increase in sales and earnings in fiscal 2006, despite a severe business environment.

The current business environment remains uncertain, with volatile conditions expected to continue in the consumer electronics industry in fiscal 2007. Guided by its new management, Matsushita will bolster proprietary technologies as the basis for developing competitive products, focus management resources into strategic businesses, consistently strengthen management structures and further promote global business

*1 For information about operating profit, see Note 4 on page 44.

*2 CCM is an indicator created by Matsushita to evaluate return on capital. A positive CCM indicates that the return on invested capital meets the minimum return expected by capital markets.



Kunio Nakamura *Chairman*



Fumio Ohtsubo *President*

expansion to achieve the targets of the Leap Ahead 21 plan. Such targets include an operating profit^{*1} to sales ratio of 5% or more and a positive Capital Cost Management (CCM^{*2}) index, on a consolidated basis. Furthermore, to achieve global excellence in 2010, Matsushita will continue efforts to realize its corporate twin vision of realizing a ubiquitous networking society and coexistence with the global environment. Moreover, we place a high priority on accountability for the benefit of our shareholders, investors, customers and all other stakeholders, and will continue efforts to further increase corporate value.

Thank you for your continued support.

June 2006

A handwritten signature in black ink that reads "Kunio Nakamura". The signature is written in a cursive, flowing style.

Kunio Nakamura
Chairman

A handwritten signature in black ink that reads "F. Ohtsubo". The signature is written in a cursive, flowing style.

Fumio Ohtsubo
President