

MATSUSHITA ELECTRIC INDUSTRIAL CO LTD

Form 6-K

January 06, 2004

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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

The Securities Exchange Act of 1934

For the Month of December, 2003

Commission File Number: 1-6784

Matsushita Electric Industrial Co., Ltd.

Kadoma, Osaka, Japan

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101

(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101

(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule

12g3-2(b): 82-\_\_\_\_

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**This Form 6-K consists of:**

1. News release issued on December 19, 2003, by the registrant, announcing the transfer of its information equipment motor business to a joint venture company through business division.
2. News release issued on December 19, 2003, by the registrant, announcing the establishment of new company through business division.
3. Semi-annual report dated December 16, 2003 filed with the Japanese government and with each stock exchange in Japan on which securities of the registrant are listed.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Matsushita Electric Industrial Co., Ltd.

By: /s/ YUKITOSHI ONDA  
Yukitoshi Onda, Attorney-in-Fact  
President  
Panasonic Finance (America),  
Inc.

Dated: January 6, 2004

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*December 19, 2003*

**FOR IMMEDIATE RELEASE**

**Media Contacts:**     **Akira Kadota**  
                              **International PR, Tokyo**  
                              **(Tel: 03-3578-1237, Fax: 03-5472-7608)**

**Matsushita to Transfer Information Equipment Motor Business**  
**to Joint Venture Company through Business Division**

Matsushita Electric Industrial Co., Ltd. (MEI [NYSE symbol : MC]), best known for its Panasonic brand name, announced that the company has decided at its board of directors meeting held today to divide and transfer, effective April 1, 2004, its information equipment motor business to Minebea-Matsushita Motor Corporation (MMM), a joint venture to be established with Minebea Co., Ltd. (Minebea). MEI's board of directors also approved a business integration agreement, to be entered into with Minebea. The transfer is part of initiatives to integrate the information equipment motor businesses, including fan motors, stepping motors, vibration motors and direct current (DC) brush motors, of MEI and Minebea.

The basic terms of the business division and subsequent integration are outlined as follows:

**1. Purpose of business division and integration**

Competition in the information equipment motor market is becoming increasingly intense throughout the world due particularly to industry consolidation among Japanese manufacturers and rising market newcomers from China. However, further growth in demand is expected in new product applications for digital consumer electronics, such as PDP TVs and LCD TVs, information equipment, including PCs and cellular phones, and new growth segments such as game consoles. This business integration is intended to expand upon the agreement signed between the two companies in September 2002, which covered collaborative R&D and manufacturing for DC axial flow fan motors. By combining the relevant businesses of MEI and Minebea, MMM will work to establish a profitable business structure, with enhanced competitiveness in both cost and quality.

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MMM aims to increase its global competitiveness and capture the leading position in markets worldwide in relevant product categories. This is to be achieved through economies of scale, standardization of manufacturing processes and designing methods utilizing advanced production engineering and product development technologies of Minebea and MEI, and through cost reductions through activities such as the development of advanced magnet / material analysis technologies.

**2. Outline of business division**

A. Schedule

|                         |  |
|-------------------------|--|
| December 19, 2003       | Board approval of business division agreement and business integration agreement |
| March 1, 2004 (planned) | Signing of these agreements  |
| April 1, 2004 (planned) | Date of business division (Minebea)  |
|                         | Date of business division (MEI)  |
|                         | Start of business of MMM   |

B. Method of business division

1) Method

MEI will divide a certain part of its business, and MMM will succeed the divided businesses.

2) Reason for adopting this method

This method was chosen because it was determined to be the most efficient means by which to transfer the relevant businesses.

C. Allotment of shares

1) Share allotment ratios

Upon the business division and transfer by MEI, MMM will issue 1,996,080 shares of common stock, and allot such shares to MEI. Furthermore, upon completion of procedures related to business integration, MEI and Minebea will hold 40% and 60% shares in MMM, respectively. MMM is expected to become an equity-method-applied associated company of MEI.

2) Calculation method for share allotment ratios

MEI and Minebea consulted their respective outside financial advisors, separately, regarding the assessment of the overall value of businesses involved in the integration of information equipment motor businesses. Based on such assessment, both companies held negotiations, whereupon MEI calculated the number of shares to be allotted to it by MMM in consideration of the value of its information equipment business to be divided, as well as the value of assets held, and the number of shares issued, by MMM.

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D. Cash distribution upon business division and transfer

There will be no cash distribution in relation to the business division and transfer.

E. Rights and obligations to be succeeded

Assets, liabilities, rights and obligations involved in the relevant business, which are considered to be mandatory for the MMM to operate the business to be succeeded.

F. Prospects of paying debt obligations

MEI believes that both MEI and MMM can pay the debt obligations to be incurred as a result of the business division and transfer.



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**3. Basic information for MEI and Minebea** (as of September 30, 2003)

(non-consolidated, parent-alone basis)

|                                      |  |  |
|--------------------------------------|--|--|
| Trade Name                           | MEI (company to divide a unit)   | Minebea (company to divide a unit)   |
| Principal Lines of Business          | Manufacture and sale of electronic and electric equipment  | Manufacture and sale of bearings, and rotary components  |
| Date of Incorporation                | December 15, 1935  | July 16, 1951  |
| Principal Office                     | Kadoma-shi, Osaka, Japan   | Kitasaku-gun, Nagano, Japan  |
| Representative                       | Kunio Nakamura, President  | Tsugio Yamamoto, Representative Director, President and Chief Executive Officer  |
| Capital Stock                        | 258,738  | 68,258   |
| (million yen)                        |  |  |
| No. of Shares                        | 2,453,051,029  | 399,167,695  |
| Issued                               |  |  |
| Shareholders                         | 2,788,194  | 181,057  |
| Equity                               |  |  |
| (million yen)                        |  |  |
| Total Assets                         | 5,231,618  | 367,810  |
| (million yen)                        |  |  |
| Financial                            | March 31   | March 31   |
| Closing Date                         |  |  |
| No. of Employees                     | 52,362   | 2,503  |
| Major Customers                      | Consumer products widely distributed to general public through consumer and household equipment sales networks.  | Sold mainly to information and telecommunication equipment industry, automotive industry and home electric appliance industry. |
|                                      | Business and industrial equipment and components sold mainly to corporations, government agencies and manufacturers through systems and industrial sales networks. |  |
| Major Shareholders and Shareholdings | Japan Trustee Services Bank 6.02%<br>The Master Trust Bank of Japan 5.95%  | Japan Trustee Services Bank 7.03%<br>The Master Trust Bank of Japan 6.87%  |

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|                 |   |       |  |       |
|-----------------|---|-------|--|-------|
|                 | Moxley & Co.  | 5.24% | Keiaisha Co., Ltd.   | 5.01% |
|                 | Sumitomo Mitsui Banking Corporation   | 2.88% | J.P. Morgan Trust Bank Ltd.  | 4.40% |
|                 | Nippon Life Insurance Co.   | 2.76% | Shinsei Bank, Ltd.   | 3.13% |
| Major Banks     | Sumitomo Mitsui Banking Corporation,<br>The Resona Bank, etc.                               |       | Sumitomo Mitsui Banking Corporation,<br>The Sumitomo Trust & Banking Co., Ltd. |       |
| Relationship    | Capital: None   |       |  |       |
|                 | Personnel: None   |       |  |       |
| between MEI and | Transactions: Joint R&D activities and outsourcing of manufacturing for DC axial fan motors |       |  |       |
| Minebea         |   |       |  |       |

Note: Amounts less than one million yen have been omitted. (hereinafter the same)

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**Financial results for the most recent three fiscal years**

(non-consolidated, parent-alone basis)

(in millions of yen, except per share amounts)

| Fiscal Year ended                       | MEI                        |               |               | Minebea                    |            |            |
|---|----------------------------|---------------|---------------|----------------------------|------------|------------|
|   | (company to divide a unit) |               |               | (company to divide a unit) |            |            |
|   | March<br>2001              | March<br>2002 | March<br>2003 | March 2001                 | March 2002 | March 2003 |
| Net Sales                               | 4,831,866                  | 3,900,790     | 4,237,869     | 197,675                    | 175,218    | 162,952    |
| Operating Profit (Loss)                 | 76,634                     | (92,952)      | 52,884        | 12,246                     | 1,848      | 5,018      |
| Recurring Profit (Loss)                 | 115,494                    | (42,480)      | 80,196        | 12,127                     | 10,033     | 11,062     |
| Net Income (Loss)                       | 63,687                     | (132,410)     | 28,828        | 3,947                      | 4,351      | 1,227      |
| Net Income (Loss) per Share (in yen)    | 30.63                      | (63.79)       | 12.80         | 9.89                       | 10.90      | 3.08       |
| Annual Dividends per Share (in yen)     | 12.50                      | 10.00         | 12.50         | 7.00                       | 7.00       | 7.00       |
| Shareholders' Equity per Share (in yen) | 1,306.37                   | 1,225.39      | 1,173.14      | 452.34                     | 454.01     | 454.12     |

**4. Description of the business to be divided**A. Business to be divided

Fan motors, stepping motors, DC brush motors, and related assembly parts businesses currently operated by the information equipment motor business unit of MEI's Motor Company.

B. Operating results of the business to be divided for the year ended March 31, 2003

Net sales 8,273 million yen

C. Assets and liabilities of the business to be divided (forecast for April 1, 2004)

(in millions of yen)

**Assets****Liabilities**

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|        |       |                     |       |
|--------|-------|---------------------|-------|
| Assets | 8,924 | Liabilities         | 0     |
| Total  | 8,924 | Stockholders equity | 8,924 |
|        |       | Total               | 8,924 |

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**5. Basic information for Minebea-Matsushita Motor Corporation**A. Company outline (forecast for April 1, 2004)

|                                   |  |  |
|-----------------------------------|--|--|
| Trade Name                        | Minebea-Matsushita Motor Corporation   |  |
| Principal Lines of Business       | R&D, manufacture and sale of fan motors, stepping motors, vibration motors and DC brush motors   |  |
| Date of Incorporation             | April 1, 2004  |  |
| Principal Office                  | Meguro-ku, Tokyo, Japan  |  |
| Representative                    | Tosei Takenaka, President  |  |
| Capital Stock (million yen)       |  | 10,000   |
| No. of shares Issued              |  | 5,000,000  |
| Shareholders Equity (million yen) |  | 13,000(approx.)  |
| Total Assets (million yen)        |  | 40,000   |
| Financial Closing Date            |  | March 31   |
| No. of Employees                  |  | 9,800(approx.)   |
| Major Customers                   | Sales Canon Inc., Ricoh Co., Ltd., Fuji Xerox Co., Ltd., MEI Purchases Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Sanyo Electric Co., Ltd., Minebea, MEI |  |
| Major Shareholders                | Minebea  | 60%  |
| and Shareholdings                 | MEI  | 40%  |
| Major Banks                       | Sumitomo Mitsui Banking Corporation, The Sumitomo Trust & Banking Co., Ltd.  |  |
| Relationship with MEI and Minebea | Capital:   | Minebea 60%, MEI 40%   |
|                                   | Personnel:   | Directors and corporate auditors will be from the parent companies, and employees will also be sent from MEI and Minebea |
|                                   | Transactions:  | Sale and purchase of finished products, merchandise and materials  |

B. Directors and Corporate Auditors (slated)  
(as of April 1, 2004)

| <u>Title</u>             | <u>Name</u>         |                |
|--------------------------|---------------------|----------------|
| President                | Tosei Takenaka      | (from Minebea) |
| Executive Vice President | Miyuki Furuya       | (from MEI)     |
| Director                 | Kaoru Matsumoto     | (from Minebea) |
| Director                 | Kunitake Matsushita | (from Minebea) |

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|                   |                    |                |
|-------------------|--------------------|----------------|
| Director          | Shuji Uehara       | (from Minebea) |
| Director          | Yugen Ota          | (from Minebea) |
| Director          | Rikuro Obara       | (from Minebea) |
| Director          | Kengo Katsuki      | (from MEI)     |
| Director          | Kazuhisa Takahashi | (from MEI)     |
| Director          | Ikuo Miyamoto      | (from MEI)     |
| Corporate Auditor | Not yet slated     | (from Minebea) |
| Corporate Auditor | Not yet slated     | (from Minebea) |
| Corporate Auditor | Not yet slated     | (from MEI)     |

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**6. Effects of business division on MEI's financial results**

A. Information about MEI upon business division

|                                   |   |
|-----------------------------------|---|
| 1) Trade name:                    | Matsushita Electric Industrial Co., Ltd.  |
| 2) Principal lines of business:   | Manufacture and sale of electronic and electric equipment   |
| 3) Principal office:              | Kadoma-shi, Osaka, Japan  |
| 4) Representative:                | Kunio Nakamura, President   |
| 5) Capital stock:                 | No change as a result of this business division   |
| 6) Total assets:                  | No change as a result of this business division   |
| 7) Annual financial closing date: | March 31  |
| 8) Effect on financial results:   | The business division will have no material effect on the company's business performance and financial condition. |

***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 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, 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 realize expected benefits of various restructuring activities in its business and organization; 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; and fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings; as well as future changes or revisions to accounting policies or accounting rules.*

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**December 19, 2003**

**FOR IMMEDIATE RELEASE**

**Media Contacts: Akira Kadota**  
**International PR, Tokyo**  
**(Tel: 03-3578-1237, Fax: 03-5472-7608)**

**Matsushita Announces Establishment of New Company**  
**through Business Division**

Matsushita Electric Industrial Co., Ltd. (MEI [NYSE symbol : MC]), best known for its Panasonic brand name, announced that the company has decided at its board of directors meeting held today to transfer, by means of a business division on April 1, 2004, its Internet services business to Panasonic Network Services Inc. (New Company), which will be established on the same day.

The basic terms of the business division decided today are outlined as follows:

**1. Purpose of business division**

By dividing the Internet services business, which is currently operated under the Panasonic hi-ho name, from the Corporate eNet Business Division, and transferring such business to the New Company, MEI aims to establish a flexible management foundation in this business area that can quickly adapt to industry changes. This business division is also intended to enhance competitiveness and increase profitability in the relevant business.

**2. Outline of business division**

A. Schedule

December 19, 2003  
April 1, 2004 (planned)

Board approval of business division plan  
Date of business division and commercial registration

B. Method of business division

1) Method



MEI will divide a certain part of its business and the New Company (the succeeding company) will succeed the divided business.

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2) Reason for adopting this method

This method was chosen because it was determined to be the most efficient means by which to transfer the relevant business and establish the New Company.

C. Allotment of shares

Upon the business division and transfer by MEI, the succeeding company, as a wholly-owned subsidiary of MEI, will issue 1 new share of common stock, and allot such share to MEI.

D. Cash distribution upon business division and transfer

There will be no cash distribution in relation to the business division and transfer.

E. Rights and obligations to be succeeded

Assets, liabilities, rights and obligations involved in the Internet services business, which are considered to be mandatory for the succeeding company to operate the business to be succeeded.

F. Prospects of paying debt obligations

MEI believes that both MEI and the succeeding company can pay the debt obligations to be incurred as a result of the business division and transfer.

G. New directors and corporate auditors of succeeding company  
(slated for April 1, 2004)

Directors: Masamichi Yamamoto  
Michiko Arai  
Kazuhiro Tokumitsu  
Hidekatsu Kanemoto

Corporate Auditor: Hiroshi Hashimoto

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**3. Basic information for MEI and the New Company**

|                             |  |       |   |
|-----------------------------|--|-------|---|
| Trade Name                  | MEI  |       | Panasonic Network Services Inc.   |
|                             | (company to divide a unit)   |       | (succeeding company)  |
|                             | (as of September 30, 2003)   |       | (forecast for April 1, 2004)  |
| Principal Lines of Business | Manufacture and sale of electronic and electric equipment  |       | Internet services (including the consumer Internet service provider business and Internet solutions for businesses)                 |
| Date of Incorporation       | December 15, 1935  |       | April 1, 2004   |
| Principal Office            | Kadoma-shi, Osaka, Japan   |       | Chuo-ku, Tokyo, Japan   |
| Representative              | Kunio Nakamura, President  |       | Masamichi Yamamoto, President   |
| Capital Stock               | 258,738  |       | 490   |
| (million yen)               |  |       |   |
| Shares Issued               | 2,453,051,029  |       | 1   |
| Shareholders                | 2,788,194  |       | 490   |
| Equity                      |  |       |   |
| (million yen)               |  |       |   |
| Total Assets                | 5,231,618  |       | 490   |
| (million yen)               |  |       |   |
| Financial                   | March 31   |       | March 31  |
| Closing Date                |  |       |   |
| No. of Employees            | 52,362   |       | 38  |
| Major Customers             | Consumer products widely distributed to general public through consumer and household equipment sales networks.  |       | Consumer Internet service provider business marketed widely through direct sales and consumer products sales networks.              |
|                             | Business and industrial equipment and components sold mainly to corporations, government agencies and manufacturers through systems and industrial sales networks. |       | Business marketed mainly to national and local government agencies, and businesses through direct sales and systems sales networks. |
| Major Shareholders and      | Japan Trustee Services Bank  | 6.02% | MEI   |
|                             | The Master Trust Bank of Japan   | 5.95% | 100%  |
|                             | Moxley & Co.   | 5.24% |   |
|                             | Sumitomo Mitsui Banking Corporation  | 2.88% |   |

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### Shareholdings

Nippon Life Insurance Co. 2.76%

### Major Banks

Sumitomo Mitsui Banking Corporation, The Resona Bank, etc. Sumitomo Mitsui Banking Corporation

### Relationship

Capital: MEI will hold 100% equity share in New Company.

between MEI and

Personnel: Directors and corporate auditors of the New Company will be appointed from among personnel of MEI. Employees of the New Company will be sent from MEI.

the New Company

Transactions: Transactions between MEI and succeeding company will include Internet services business, as well as transactions relating to R&D.

Notes: 1. Amounts less than one million yen have been omitted. (hereinafter the same)

2. MEI information is on a non-consolidated, parent-alone basis.

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**Financial results for the most recent three fiscal years**

(non-consolidated, parent-alone basis)

(in millions of yen, except per share amounts)

| <u>Fiscal Year ended</u>                | <b>MEI</b>                        |                       |                       |
|---|-----------------------------------|-----------------------|-----------------------|
|   | <b>(company to divide a unit)</b> |                       |                       |
|   | <b>March<br/>2001</b>             | <b>March<br/>2002</b> | <b>March<br/>2003</b> |
| Net Sales                               | 4,831,866                         | 3,900,790             | 4,237,869             |
| Operating Profit (Loss)                 | 76,634                            | (92,952)              | 52,884                |
| Recurring Profit (Loss)                 | 115,494                           | (42,480)              | 80,196                |
| Net Income (Loss)                       | 63,687                            | (132,410)             | 28,828                |
| Net Income (Loss) per Share (in yen)    | 30.63                             | (63.79)               | 12.80                 |
| Annual Dividends per Share (in yen)     | 12.50                             | 10.00                 | 12.50                 |
| Shareholders' Equity per Share (in yen) | 1,306.37                          | 1,225.39              | 1,173.14              |

**4. Description of the business to be divided****A. Business to be divided**

Internet services business

- Consumer Internet service provider business  
(Internet access and optional services)  
(Content services)

- Internet solutions for businesses  
(Internet access and optional services)  
(Hosting services)  
(Co-location service [server housing])  
(Sales and support for Internet system structure management)

**B. Operating results of the business to be divided for the year ended March 31, 2003**

Net sales

Approximately 6 billion yen

C. Assets and liabilities of the business to be divided (forecast for April 1, 2004)

(in millions of yen)

| <u>Item</u> | <u>Book value</u> |
|-------------|-------------------|
| Assets      | 490               |
| Liabilities | 0                 |

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**5. Effects of business division on MEI's financial results**

**A. Information about Matsushita upon business division**

- |                                   |   |
|-----------------------------------|---|
| 1) Trade name:                    | Matsushita Electric Industrial Co., Ltd.  |
| 2) Principal lines of business:   | Manufacture and sale of electronic and electric equipment   |
| 3) Principal office:              | Kadoma-shi, Osaka, Japan  |
| 4) Representative:                | Kunio Nakamura, President   |
| 5) Capital stock:                 | No change as a result of this business division   |
| 6) Total assets:                  | No material effect on total assets as a result of this business division  |
| 7) Annual financial closing date: | March 31  |
| 8) Effect on financial results:   | MEI currently expects that the business division will have no material effect on the company's financial performance. |

***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 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, 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 realize expected benefits of various restructuring activities in its business and organization; 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; and fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings; as well as future changes or revisions to accounting policies or accounting rules.*

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[English summary with full translation of consolidated financial information]

**Semi-Annual Report filed with the Japanese  
government pursuant to the Securities and Exchange  
Law of Japan**

**For the six months ended  
September 30, 2003**



**Matsushita Electric Industrial Co., Ltd.**

**Osaka, Japan**

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|     | (2) <u>Capital (amount of stated capital)</u>             | 13          |
|     | (3) <u>Major Shareholders</u>                             | 13          |
|     | (4) <u>Stock Price</u>                                    | 13          |
| V   | <u>Financial Statements</u>                               | 14          |

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**Disclaimer Regarding Forward-Looking Statements**

This semi-annual report 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 semi-annual report 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 them, 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 semi-annual report. 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 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, 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 realize expected benefits of various restructuring activities in its business and organization; 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; and fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings; as well as future changes or revisions to accounting policies or accounting rules.

Note: Certain information that has been previously filed with the SEC in other reports, including English summaries of non-consolidated (parent company alone) financial information, is not included in this English translation.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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**I Corporate Information****(1) Consolidated Financial Summary**

|   | Yen (millions), except per share amounts |                  |                  |            |                  |
|---|--|------------------|------------------|------------|------------------|
|   | Six months ended                         |                  |                  | Year ended |                  |
|   | September 30,                            |                  |                  | March 31,  |                  |
|   | 2003                                     | 2002<br>Restated | 2001<br>Restated | 2003       | 2002<br>Restated |
| Net sales   | 3,639,688                                | 3,620,969        | 3,465,799        | 7,401,714  | 7,073,837        |
| Income (loss) before income taxes                                 | 57,254                                   | 55,639           | (84,413)         | 68,916     | (537,779)        |
| Net income (loss)   | 23,146                                   | 17,599           | (68,448)         | (19,453)   | (427,779)        |
| Total Stockholders' equity  | 3,141,471                                | 2,852,076        | 3,573,782        | 3,178,400  | 3,247,860        |
| Total assets  | 7,749,046                                | 7,671,838        | 7,740,188        | 7,834,693  | 7,768,457        |
| Net assets per share of common stock                              | 1,356.61                                 | 1,372.87         | 1,718.87         | 1,347.17   | 1,558.68         |
| Net income (loss) per share of common stock, <i>basic</i> (yen)   | 9.92                                     | 8.47             | (32.92)          | (8.70)     | (206.09)         |
| Net income (loss) per share of common stock, <i>diluted</i> (yen) | 9.83                                     | 8.42             | (32.92)          | (8.70)     | (206.09)         |
| Stockholders' equity / total assets (%)                           | 40.5                                     | 37.2             | 46.2             | 40.6       | 41.8             |
| Net cash provided by operating activities                         | 204,754                                  | 324,917          | 98,503           | 698,317    | 112,946          |
| Net cash provided by (used in) investing activities               | (40,493)                                 | 95,064           | (109,669)        | (11,177)   | (74,472)         |
| Net cash provided by (used in) financing activities               | (136,954)                                | (216,084)        | (96,996)         | (442,854)  | 416              |
| Cash and cash equivalents at end of period                        | 1,176,641                                | 1,121,184        | 762,845          | 1,167,470  | 933,132          |
| Total employees   | 295,546                                  | 291,935          | 316,753          | 288,324    | 291,232          |

- Notes:
1. The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States.
  2. From the fiscal year ended March 31, 2003 (fiscal 2003), the Company began consolidating certain previously unconsolidated subsidiaries, primarily overseas subsidiaries of Victor Company of Japan, Ltd., a consolidated subsidiary of the Company, and has restated prior year amounts.
  3. Net loss in fiscal 2003 represents amounts after subtracting the impact of approximately 22.3 billion yen, attributable to adjustments of net deferred tax assets to reflect the reduction in the statutory income tax rate due to revisions to local enterprise income tax law in Japan on introduction of a new pro-forma standard taxation system in fiscal 2003.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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**(2) Principal Businesses**

Matsushita, as a group, is comprised primarily of the parent Matsushita Electric Industrial Co., Ltd. and 380 consolidated subsidiaries in and outside of Japan, operating in close cooperation with each other. As a comprehensive electronics manufacturer, Matsushita is engaged in production, sales and service activities in a broad array of business areas.

Upon the introduction of a new business domain-based management system in January 2003, which focuses on global consolidated management by each business domain, from this fiscal period (the first half ended September 30, 2003), the Company changed its business segment classifications from four previous segments: AVC Networks, Home Appliances, Industrial Equipment and Components and Devices, to five new segments: AVC Networks, Home Appliances, Components and Devices, JVC and Other.

The main products and main group companies for each business segment are as follows:

**AVC Networks**

**Video and audio equipment**

Videocassette recorders (VCRs), video camcorders and related equipment, digital still cameras, color TVs (CTVs), TV/VCR combination units, high definition TVs (HDTVs), liquid crystal display (LCD) TVs, plasma display panel (PDP) TVs, DVD players/recorders, compact disc (CD) and Mini Disc (MD) players, Secure Digital (SD) audio players, radios, CD radio cassette recorders, tape recorders, portable headphone players, stereo hi-fi and related equipment, AVC-related devices, electronic musical instruments, satellite broadcast receivers and related equipment, compact discs (CDs) and video software, etc.

**Information and communications equipment**

Facsimile equipment, cordless telephones, cellular phones, PHS-related equipment, personal computers (PCs), printers, copying machines, cathod ray tube (CRT) and liquid crystal displays (LCDs), CD-ROM, DVD-ROM/RAM and other optical disc drives, hard disk drives and other computer peripherals, community antenna/cable TV (CATV) systems, broadcast- and business-use AV systems equipment, large-screen visual equipment, communication network systems equipment, PBXs, traffic-related systems equipment, car audio, car navigation and other car AV equipment, electronic measuring equipment, etc.

The main group companies for video and audio equipment, and information and communications equipment are:

Matsushita Electric Industrial Co., Ltd.

Panasonic Mobile Communications Co., Ltd.

Panasonic Communications Co., Ltd.

Matsushita Kotobuki Electronics Industries, Ltd.

Matsushita Electric Corporation of America

Panasonic AVC Networks Singapore Pte. Ltd.

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**Home Appliances**

Refrigerators, room air conditioners, compressor, home laundry equipment, clothes dryers, vacuum cleaners, air purifiers, electric irons, dishwashers, microwave ovens, rice cookers, induction heating cooking equipment, gas cooking equipment, electric thermos pots, electric fans, electric, gas and kerosene heaters, electric blankets, electrically-heated rugs, kitchen fixture systems, electric, gas and kerosene hot-water supply systems, bath and sanitary equipment, electric lamps, photographic flash units, automatic vending machines, ventilation, air-blowing and air-conditioning equipment, car air conditioners, medical equipment, etc.

The main group companies for Home Appliances are:

Matsushita Electric Industrial Co., Ltd.

Matsushita Refrigeration Company

Matsushita Ecology Systems Co., Ltd.

Guangzhou Matsushita Air-Conditioner Co., Ltd.

Matsushita Refrigeration Industries (S) Pte. Ltd.

**Components and Devices**

Semiconductors, CRTs, PDPs, electronic circuit components, printed circuit boards (PCBs), transformers, power supplies, coils, capacitors, resistors, tuners, switches, speakers, ceramic components, magnetic recording heads, LCD devices, electric motors, micro motors, dry batteries, storage batteries, solar batteries, battery chargers, nonferrous metals, etc.

The main group companies for Components and Devices are:

Matsushita Electric Industrial Co., Ltd.

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Matsushita Electronic Components Co., Ltd.

Matsushita Battery Industrial Co., Ltd.

Matsushita Electronic Components Corporation of America

Matsushita Electric Motor (S) Pte. Ltd.

### **JVC**

VCRs, camcorders, CTVs, stereo hi-fi and related equipment, car audio, DVD players, CD radio cassette recorders, telephones, video projectors, display components, audiovisual software for DVD, CD and video discs/tapes, furniture, etc.

These products are marketed under the brand name of JVC.

The main group company for JVC is Victor Company of Japan, Ltd.



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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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**Other**

Electronic-parts-mounting machines, industrial robots, welding machines, electric power distribution equipment, elevators, escalators, bicycles, fire extinguishers, etc.

The main group companies for Other are:

Matsushita Electric Industrial Co., Ltd.

Panasonic Factory Solutions Co., Ltd.

Matsushita Industrial Equipment Co., Ltd.

Matsushita Technology (S) Pte. Ltd.

Tangshan Matsushita Industrial Equipment Co., Ltd.

**(3) New Subsidiaries and Associated Companies**

New subsidiaries and associated companies during the first fiscal half, ended September 30, 2003, include the following companies:

Consolidated companies

Wuxi Matsushita Battery Co., Ltd.

Shanghai Matsushita Plasma Display Co., Ltd.

Hangzhou Matsushita Home Appliances & System (Export Processing Zone) Co., Ltd.

Panasonic Communications Zhuhai Co., Ltd.

Companies reflected by the equity method

Matsushita Toshiba Picture Display Co., Ltd.

**(4) Number of Employees by Business Segment (as of September 30, 2003)**

| <b>Business Segment</b> | <b>Number of employees</b> |
|-------------------------|----------------------------|
| AVC Networks            | 106,581                    |
| Home Appliances         | 51,259                     |
| Components and Devices  | 87,414                     |
| JVC                     | 34,989                     |
| Other                   | 11,750                     |
| Corporate (common)      | 3,553                      |
| Total                   | 295,546                    |

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**II The Business**

**(1) Operating Results**

During the first half of the current fiscal year ending March 31, 2004 (fiscal 2004), the domestic economy in Japan saw modest recoveries in both exports and capital investment by corporations. The domestic economy as a whole, however, continued a trend of instability due to such factors as sluggish sales of seasonal products, a result of an unusually cool summer, and a stronger Japanese yen. Overseas, economies in China and other Asian countries showed steady progress overcoming the effects of the SARS outbreak. Meanwhile, the economic climate in the United States also showed signs of improvement.

Within this environment, Matsushita's consolidated sales for the first half increased in AVC Networks, particularly digital AV products, and in information and communications equipment such as car electronics equipment, and cellular phones for overseas markets. Sales of factory automation (FA) equipment in the Other segment also increased, while Home Appliances, Components and Devices and JVC recorded decreased sales, compared with the same period last year. Overseas sales remained mostly unchanged from the previous year, adversely affected by the U.S. economic slowdown, while sales in Europe, China and other Asian countries were steady. As a result, consolidated group sales for the first fiscal half increased to 3,639.7 billion yen, up 1% from the same semiannual period last year.

Regarding earnings, despite intense global competition, operating profit for the second quarter increased sharply, benefiting mainly from the success of V-products and the positive effects of various cost reduction initiatives. As a result, operating profit increased to 79.6 billion yen, up 59% from the same six-month period a year ago. Despite losses on the valuation of investment securities of associated companies, income before income taxes increased 3% to 57.3 billion yen from last year's first half. Net income for the period totaled 23.1 billion yen, up 32% from the comparable year-earlier period.

From the fiscal year ended March 31, 2003 (fiscal 2003), the Company began consolidating certain previously unconsolidated subsidiaries, primarily overseas subsidiaries of Victor Company of Japan, Ltd., a consolidated subsidiary of the Company, and has thus restated prior years amounts.

In order to be consistent with financial reporting practices generally accepted in Japan, operating profit is presented as net sales less cost of sales and selling, general and administrative expenses. Under accounting principles generally accepted in the United States of America, certain additional charges (such as impairment and restructuring charges) are included as part of operating profit in the consolidated statements of operations.

The Company's first half consolidated results by reclassified product category, as compared with restated prior year results, are summarized as follows:

AVC Networks

AVC Networks sales increased 3% to 1,827.9 billion yen. Within this segment, strong sales were recorded in such digital AV products as flat-panel TVs and DVD recorders, but sales declined in VCRs, CRT TVs and audio equipment.

In information and communications equipment, solid sales of automotive electronics, and cellular phones in overseas markets were more than sufficient to offset setbacks in hard disk drives.

Segment profit increased 123% to 58.3 billion yen. This improvement was mainly due to the aforementioned sales increases of digital AV equipment, car electronics equipment, and cellular phones in overseas market.

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*Home Appliances*

Sales of Home Appliances edged down 1% to 604.0 billion yen. Although washing machines and microwave ovens recorded sales gains, sales of compressors, air conditioners and electric fans in the domestic market were negatively affected by a cool summer, resulting in lower sales overall.

Segment profit decreased 12% to 19.0 billion yen, mainly as a result of lower sales due to the cool summer in Japan and price competition.

*Components and Devices*

Sales of Components and Devices decreased 2% to 826.5 billion yen. Sales of semiconductors and LCDs increased from the same period a year ago, but sales declines in general components and electronic tubes resulted in overall lower sales.

Mainly as a result of the strong sales in semiconductors and recovering profitability of the battery business, segment profit increased 56% to 25.8 billion yen.

*JVC*

Sales for the JVC segment (Victor Company of Japan and its subsidiaries) totaled 409.4 billion yen, down 5% from last year's first half. This decline was mainly attributable to sluggish sales of conventional AV equipment in Japan and the Americas, despite solid sales of business-use equipment.

Segment profit increased 15% to 10.1 billion yen mainly as a result of cost reductions and profit improvements in the Software & Media business.

*Other*

Sales for the Other segment increased 19% to 476.1 billion yen. Strong sales of FA equipment was the main reason for the sharp increase.

Segment profit decreased 27% to 7.2 billion yen, however, mainly as a result of intense price competition.

First-half results by domestic and overseas company location are as follows:

Japan

Sales in Japan increased 1% to 2,701.5 billion yen, mainly as a result of strong domestic and export sales of information and communications equipment and FA equipment. Due mainly to sales gains in information and communications equipment, domestic profit rose 41% to 61.9 billion yen.

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Americas

Although growth was recorded in sales of car electronics equipment, slow sales in Home Appliances and Components and Devices resulted in an overall 9% decrease in sales to 655.5 billion yen. Operating profit for the Americas was also down, declining 13% from the previous year's first half, to 10.3 billion yen, mainly as a result of sluggish sales of Home Appliances.

Europe

Strong sales were recorded in this region for information and communications equipment, such as cellular phones, and Home Appliance, despite sluggish sales of Components and Devices. This resulted in a 15% overall sales increase to 483.0 billion yen, while profit rose to 4.6 billion yen up 10%, due mainly to sales increases in information and communications equipment.

Asia and Others

Sales in Asia and Others were down due mainly to restructuring of the PC-use HDD business and weak sales of Components and Devices. However, in China, significant sales increases were recorded in cellular phones. Overall, sales in this region increased 4% to 1,098.9 billion yen. Primarily as a result of the sales gains in information and communications equipment, profit increased 10% to 43.5 billion yen.

**(2) Cash Flows**

Cash flows from operating activities

Net cash provided by operating activities in the first half of fiscal 2004 amounted to 204.8 billion yen, compared with 324.9 billion yen in the first half of last year. This was primarily attributable to an increase in inventories and a decrease of trade payables increase due to the effect of extended payment terms last year, while net income in the first half of fiscal 2004 increased.

Cash flows from investing activities

Net cash used in investing activities amounted to 40.5 billion yen, compared with net cash provided by investing activities of 95.1 billion yen in the earlier six-month period, mainly due to an increase in capital expenditures and a decrease in cash provided from time deposits.

Cash flows from financing activities

Net cash used in financing activities was 137.0 billion yen, compared with 216.1 billion yen in the first half of last year. This was primarily due to a decrease in repayments of long-term debt.

All these activities, after subtracting 18.1 billion yen for the effects of exchange rate changes, resulted in a net increase of 9.2 billion yen in cash and cash equivalents during the first half of fiscal 2004. Cash and cash equivalents at the end of this first half totaled 1,176.6 billion yen.



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**(3) Corporate Management Strategies and Challenges**

With the continuing advances in digital networking, society is becoming increasingly complex. To enhance its contribution to society in this new era, Matsushita introduced its three-year management plan, Value Creation 21 with a theme of deconstruction (restructuring) and creation (growth strategy) in April 2001, aiming at transforming Matsushita into a lean and agile Super Manufacturing Company for the 21st century. To this end, the Company has implemented various initiatives aimed at establishing new business models to create a value chain between devices, finished products, and services. As part of Value Creation 21, the Company has thus far implemented various structural reforms, including reforms of the domestic consumer sales and distribution structure, manufacturing reforms, research, development and design (R&DD) reforms and employment restructuring.

Beginning in January 2003, Matsushita launched a new groupwide organizational structure with business domain companies designated as strategic units, to eliminate duplication of businesses within the Matsushita group. With this new organizational structure, business domain companies are responsible for R&D, manufacturing and sales within their respective clearly defined business areas, thereby allowing them to fully achieve growth strategies. Furthermore, from fiscal 2004, the Company also inaugurated a management system that focuses on two business performance evaluation standards for each business domain company Capital Cost Management (CCM), which measures capital efficiency, and cash flows, which indicates a company's ability to generate cash. These standards are more closely related to those used by capital markets, and are intended to result in management that increases corporate value.

**Major Activities Undertaken in Fiscal 2004**

In line with the Company's shift in focus to achieving growth, in the current fiscal year (fiscal 2004), each business domain company is actively implementing management initiatives based on the above-mentioned new management structure and system. The Company has also designated this year as one in which it will redeclare its founding, or in other words, return to the principles upon which the Company was founded, to better contribute to society in the 21st century. The following are initiatives implemented this year to establish solid pillars of management and contribute to overall business results:

1. V-products

V-products introduced last year have resulted in overall increased market share. For fiscal 2004, Matsushita has selected 90 new V-products that are expected to surpass last year's models in both quality and quantity. It expects sales for these to reach approximately 1.2 trillion yen. To maximize opportunities in the worldwide market, Matsushita is utilizing global simultaneous product introductions. The Company has already achieved success with V-products introduced so far, including a full lineup of DVD recorders and flat-panel TVs in the digital AV equipment field, as well as achieving positive results for V-products in Home Appliances, Components and Devices, and Other segments.

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2. R&D Strategy

Through selection of key technology areas, Matsushita will accelerate strategic concentration of R&D management resources, including engineering and development staff. By doing so, Matsushita will step up the development of "black box" technologies to keep the Company apart from the competition. Matsushita will leverage the benefits from these initiatives to increase product competitiveness. Matsushita will also contribute to the realization of a ubiquitous networking society by developing new technologies, beginning with core device technologies in the digital AV equipment area and supporting business expansion in the networkable appliances and service business areas with "easy networking ideas" as the key word.

3. Global Strategy

Matsushita will implement various initiatives to strengthen overseas operations, aiming at greater sales growth, and an operating profit amounting to at least 60% of Matsushita's consolidated total. Beginning with electric motor operations, which are being strengthened through expansion initiatives in China and alliances, and refrigerator operations that focus on hydrofluorocarbon (HFC)-free models and supporting components, Matsushita is establishing an optimum global manufacturing structure. The Company is also aiming to increase sales through such initiatives as simultaneous global product introductions of strategic products. The Company will, in particular, accelerate operations in China under the key concepts of "localization," "integration" and "cooperation," aiming for a 1 trillion yen business on a groupwide basis in 2005.

4. Global Brand Strategy

Matsushita positioned the "Panasonic" brand as a globally unified brand for overseas markets under the slogan "Panasonic ideas for life." Matsushita will focus its marketing resources on this brand overseas in order to more effectively promote the Company's wide range of products. By promoting a Panasonic brand that has developed a reputation in the U.S. and Europe as one of dependability and advanced technology, the Company aims to increase corporate value.

**(4) Research and Development**

The Matsushita Group's research and development activities are based upon the basic concept that every R&D effort must contribute to the benefit of humankind, combining development, manufacturing and sales activities with close collaboration between all business areas. The activities range broadly from basic research to product development and production engineering.

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Currently, the principal R&D activities of the Company are conducted by the Advanced Technology Research Laboratories, which focus on the development of basic and long-term prospective technology of the Group, and by several other corporate R&D centers which are engaged in development of technologies in such priority areas as multimedia systems-related technology and device/environmental/energy-related technologies.

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Furthermore, the Semiconductor Development Division is actively promoting, among other things, the development of system LSIs as the Company's strategic key-devices essential for the multimedia businesses. Regarding production engineering, the Corporate Production Engineering Division is responsible for research and development of new manufacturing technologies as well as mechanical engineering technologies, thus giving extensive support to all manufacturing operations in Japan and overseas. Closely linked to these laboratories are activities of R&D divisions or centers at each internal divisional company or subsidiary and of development and designing divisions at various product divisions, both engaged in development of new products and new models in respective product areas. The Company is also actively seeking global collaboration in R&D functions to address global and regional market needs through a network of overseas R&D laboratories in the United States, Europe and Asia.

Matsushita's R&D expenditures for the first half of the fiscal year 2004 totaled 277,655 million yen.

The following is the breakdown of R&D expenditures by business segment:

| <b>Business Segment</b> | <b>Yen<br/>(millions)</b> |
|-------------------------|---------------------------|
| AVC Networks            | 140,927                   |
| Home Appliances         | 27,964                    |
| Components and Devices  | 78,640                    |
| JVC                     | 22,199                    |
| Other                   | 6,147                     |
| Other R&D expenditures  | 1,778                     |
| <b>Total</b>            | <b>277,655</b>            |

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**III Property, Plant and Equipment****(1) Capital Investment**

During the first half ended September 30, 2003, the Company invested a total of 121,880 million yen in property, plant and equipment, with emphasis on production facilities in such strategically important areas as digital AV products, information equipment, mobile communications equipment and key components and devices. The breakdown of capital investment by business segment is as follows:

| <u>Business Segment</u> | <u>Yen<br/>(millions)</u> |
|-------------------------|---------------------------|
| AVC Networks            | 31,469                    |
| Home Appliances         | 10,343                    |
| Components and Devices  | 63,097                    |
| JVC                     | 7,326                     |
| Other                   | 2,016                     |
| Subtotal                | 114,251                   |
| Corporate               | 7,629                     |
| <br>Total               | <br><u>121,880</u>        |

The main emphasis of capital investment was as follows:

|                        |  |
|------------------------|--|
| AVC Networks           | : New digital AV, information equipment and mobile communications products, increase of production and rationalization |
| Home Appliances        | : New home appliance products and rationalization  |
| Components and Devices | : New semiconductors and electronic components   |
| JVC                    | : New digital AV, software for DVD related products and rationalization  |
| Other                  | : Rationalization in FA equipment facilities   |

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**IV Shares and Shareholders****(1) Shares of common stock issued as of September 30, 2003: 2,453,051,029 shares**

The common stock of the Company is listed on the Tokyo, Osaka, Nagoya, Fukuoka and Sapporo stock exchanges in Japan. Overseas listings include the New York, Pacific, Euronext Amsterdam, Euronext Paris, Frankfurt and Dusseldorf stock exchanges.

**(2) Capital (amount of stated capital) at the end of September 2003: 258,738 million yen****(3) Major Shareholders**

| Name of Shareholder  | As of September 30, 2003                    |                               |
|--|---|-------------------------------|
|  | Share ownership<br>(in thousands of shares) | Percentage of<br>total issued |
| Japan Trustee Services Bank (trust account)                      | 147,718                                     | 6.02%                         |
| The Master Trust Bank of Japan, Ltd. (trust account)             | 146,073                                     | 5.95                          |
| Moxley & Co.   | 128,756                                     | 5.24                          |
| Sumitomo Mitsui Banking Corporation                              | 70,648                                      | 2.88                          |
| Nippon Life Insurance Co.  | 67,796                                      | 2.76                          |
| Matsushita Investment & Development Co., Ltd.                    | 56,949                                      | 2.32                          |
| Sumitomo Life Insurance Co.                                      | 54,212                                      | 2.20                          |
| Matsushita Electric Industrial Employee Shareholding Association | 35,640                                      | 1.45                          |
| Mitsui Sumitomo Insurance Co., Ltd.                              | 35,106                                      | 1.43                          |
| UFJ Trust Bank Ltd. (trust account A)                            | 32,770                                      | 1.33                          |
| Total of above top 10 shareholders                               | 775,671                                     | 31.62%                        |

**(4) Stock Price**

The following table sets forth the monthly reported high and low sales prices of the Company's common stock on the Tokyo Stock Exchange for the first half of fiscal 2004, ending March 31 2004:

|      | <b>Yen</b>   |            |             |             |               |                  |
|------|--------------|------------|-------------|-------------|---------------|------------------|
|      | <u>April</u> | <u>May</u> | <u>June</u> | <u>July</u> | <u>August</u> | <u>September</u> |
| High | 1,054        | 1,132      | 1,202       | 1,494       | 1,500         | 1,590            |
| Low  | 860          | 942        | 1,097       | 1,184       | 1,372         | 1,327            |

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**V Financial Statements**

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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Consolidated Balance Sheets

September 30, 2003 and 2002 and March 31, 2003

| <u>Assets</u>                           | Yen (millions) |                               |           |
|---|----------------|-------------------------------|-----------|
|   | September 30,  | March 31,                     |           |
|   | 2003           | 2002<br>Restated-<br>Note (2) | 2003      |
| Current assets:                         |                |                               |           |
| Cash and cash equivalents               | 1,176,641      | 1,121,184                     | 1,167,470 |
| Time deposits                           | 358,057        | 366,405                       | 395,559   |
| Short-term investments (Note 4)         | 2,836          | 5,110                         | 1,196     |
| Trade receivables:                      |                |                               |           |
| Notes                                   | 64,909         | 71,093                        | 67,440    |
| Accounts (Note 5)                       | 1,077,814      | 1,073,439                     | 1,132,508 |
| Allowance for doubtful receivables      | (51,483)       | (44,784)                      | (53,043)  |
| Net trade receivables                   | 1,091,240      | 1,099,748                     | 1,146,905 |
| Inventories (Note 3)                    | 871,044        | 940,735                       | 783,262   |
| Other current assets                    | 504,009        | 484,202                       | 491,786   |
| Total current assets                    | 4,003,827      | 4,017,384                     | 3,986,178 |
| Noncurrent receivables (Note 5)         | 294,955        | 308,747                       | 299,239   |
| Investments and advances (Note 4)       | 1,023,825      | 1,136,447                     | 1,020,137 |
| Property, plant and equipment (Note 5): |                |                               |           |
| Land                                    | 259,586        | 226,123                       | 264,148   |
| Buildings                               | 1,263,742      | 1,297,039                     | 1,280,448 |
| Machinery and equipment                 | 2,776,361      | 3,003,360                     | 2,840,184 |
| Construction in progress                | 60,322         | 55,739                        | 64,792    |
|   | 4,360,011      | 4,582,261                     | 4,449,572 |
| Less accumulated depreciation           | 3,098,470      | 3,231,867                     | 3,150,677 |
| Net property, plant and equipment       | 1,261,541      | 1,350,394                     | 1,298,895 |

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|                    |           |           |           |
|--------------------|-----------|-----------|-----------|
| Other assets:      |           |           |           |
| Goodwill           | 412,873   | 98,205    | 410,627   |
| Intangibles assets | 73,189    | 68,620    | 74,810    |
| Other assets       | 678,836   | 692,041   | 744,807   |
|                    | <hr/>     | <hr/>     | <hr/>     |
| Total other assets | 1,164,898 | 858,866   | 1,230,244 |
|                    | <hr/>     | <hr/>     | <hr/>     |
|                    | 7,749,046 | 7,671,838 | 7,834,693 |
|                    | <hr/>     | <hr/>     | <hr/>     |

See accompanying Notes to Consolidated Financial Statements.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2003 and 2002 and March 31, 2003

| <b>Liabilities and Stockholders Equity</b>                         | <b>Yen (millions)</b> |  |             |
|--|-----------------------|--|-------------|
|  | <b>September 30,</b>  | <b>March 31,</b>                       |             |
|  | <b>2003</b>           | <b>2002<br/>Restated-<br/>Note (2)</b> | <b>2003</b> |
| Current liabilities:   |                       |  |             |
| Short-term borrowings, including current portion of long-term debt | 314,130               | 304,674                                | 333,686     |
| Trade payables:  |                       |  |             |
| Notes  | 38,769                | 32,288                                 | 34,218      |
| Accounts   | 699,887               | 653,136                                | 693,066     |
|  | 738,656               | 685,424                                | 727,284     |
| Total trade payables   |                       |  |             |
| Accrued income taxes   | 42,199                | 33,069                                 | 33,499      |
| Accrued payroll  | 121,687               | 122,731                                | 150,095     |
| Other accrued expenses   | 730,176               | 748,047                                | 683,569     |
| Deposits and advances from customers                               | 102,343               | 111,886                                | 100,469     |
| Employees' deposits  | 126,903               | 128,295                                | 125,024     |
| Other current liabilities  | 412,665               | 377,694                                | 417,206     |
|  | 2,588,759             | 2,511,820                              | 2,570,832   |
| Total current liabilities  |                       |  |             |
| Noncurrent liabilities:  |                       |  |             |
| Long-term debt   | 550,362               | 703,515                                | 588,202     |
| Retirement and severance benefits                                  | 1,340,583             | 1,174,420                              | 1,375,143   |
| Other liabilities  | 8,476                 | 4,921                                  | 11,939      |
|  | 1,899,421             | 1,882,856                              | 1,975,284   |
| Total noncurrent liabilities                                       |                       |  |             |
| Minority interests   | 119,395               | 425,086                                | 110,177     |
| Stockholders' equity:  |                       |  |             |
| Common stock   | 258,738               | 258,738                                | 258,738     |
| Capital surplus  | 1,226,265             | 682,374                                | 1,219,686   |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Legal reserve   | 82,798    | 83,437    | 80,700    |
| Retained earnings   | 2,438,354 | 2,479,351 | 2,432,052 |
| Accumulated other comprehensive income (loss):                              |           |           |           |
| Cumulative translation adjustments  | (240,601) | (144,202) | (161,124) |
| Unrealized holding gains (losses) of available-for-sale securities (Note 4) | 36,006    | 8,362     | (18,082)  |
| Unrealized gains (losses) of derivative instruments (Note 9)                | 1,568     | (798)     | (1,090)   |
| Minimum pension liability adjustments                                       | (496,126) | (412,556) | (525,346) |
|   | <hr/>     | <hr/>     | <hr/>     |
| Total accumulated other comprehensive income (loss) (Note 4 and 9)          | (699,153) | (549,194) | (705,642) |
|   | <hr/>     | <hr/>     | <hr/>     |
| Treasury stock, at cost   | (165,531) | (102,630) | (107,134) |
|   | <hr/>     | <hr/>     | <hr/>     |
| Total stockholders' equity  | 3,141,471 | 2,852,076 | 3,178,400 |
| Commitments and contingent liabilities (Note 10)                            |           |           |           |
|   | <hr/>     | <hr/>     | <hr/>     |
|   | 7,749,046 | 7,671,838 | 7,834,693 |
|   | <hr/>     | <hr/>     | <hr/>     |

See accompanying Notes to Consolidated Financial Statements.

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## MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.

## AND SUBSIDIARIES

## Consolidated Statements of Operations

Six months ended September 30, 2003 and 2002 and year ended March 31, 2003

|   | Yen (millions)   |                               |                   |
|---|------------------|-------------------------------|-------------------|
|   | Six months ended |                               | Year              |
|   | September 30,    | September 30,                 | ended             |
|   | 2003             | 2002<br>Restated-<br>Note (2) | March 31,<br>2003 |
| Revenues:   |                  |                               |                   |
| Net sales   | 3,639,688        | 3,620,969                     | 7,401,714         |
| Interest income   | 9,809            | 12,187                        | 22,267            |
| Dividends received  | 3,558            | 2,267                         | 4,506             |
| Other income (Note 8)   | 36,501           | 39,149                        | 64,677            |
| Total revenues  | 3,689,556        | 3,674,572                     | 7,493,164         |
| Costs and expenses:   |                  |                               |                   |
| Cost of sales   | 2,584,096        | 2,599,473                     | 5,323,605         |
| Selling, general and administrative expenses  | 975,986          | 971,490                       | 1,951,538         |
| Interest expense  | 13,888           | 17,824                        | 32,805            |
| Other deductions (Note 8)   | 58,332           | 30,146                        | 116,300           |
| Total costs and expenses  | 3,632,302        | 3,618,933                     | 7,424,248         |
| Income before income taxes  | 57,254           | 55,639                        | 68,916            |
| Provision for income taxes:   |                  |                               |                   |
| Current   | 41,931           | 31,311                        | 51,704            |
| Deferred  | (19,584)         | 4,070                         | 19,572            |
|   | 22,347           | 35,381                        | 71,276            |
| Income (loss) before minority interests and equity in earnings (losses) of associated companies | 34,907           | 20,258                        | (2,360)           |
| Minority interests  | 8,216            | (980)                         | 5,505             |
| Equity in earnings (losses) of associated companies   | (3,545)          | (3,639)                       | (11,588)          |

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|   |            |        |          |
|---|------------|--------|----------|
| Net income (loss)                                     | 23,146     | 17,599 | (19,453) |
|   | <hr/>      | <hr/>  | <hr/>    |
|   | <b>Yen</b> |        |          |
|   | <hr/>      |        |          |
| Net income (loss) per share of common stock (Notes 7) |            |        |          |
| Basic   | 9.92       | 8.47   | (8.70)   |
| Diluted   | 9.83       | 8.42   | (8.70)   |

See accompanying Notes to Consolidated Financial Statements.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Consolidated Statements of Retained Earnings

Six months ended September 30, 2003 and 2002 and year ended March 31, 2003

|   | Yen (millions)                    |                               |                            |
|---|-----------------------------------|-------------------------------|----------------------------|
|   | Six months ended<br>September 30, |                               | Year<br>ended<br>March 31, |
|   | 2003                              | 2002<br>Restated-<br>Note (2) | 2003                       |
| Retained earnings:  |                                   |                               |                            |
| Balance at beginning of period  | 2,432,052                         | 2,470,356                     | 2,470,356                  |
| Net income (loss)   | 23,146                            | 17,599                        | (19,453)                   |
| Cash dividends  | (14,746)                          | (7,814)                       | (20,798)                   |
| Transfer from (to) legal reserve  | (2,098)                           | (790)                         | 1,947                      |
|   | 2,438,354                         | 2,479,351                     | 2,432,052                  |
| Disclosure of comprehensive income (loss):                                  |                                   |                               |                            |
| Net income (loss)   | 23,146                            | 17,599                        | (19,453)                   |
| Other comprehensive income (loss), net of tax:                              |                                   |                               |                            |
| Translation adjustments   | (79,477)                          | (89,081)                      | (106,003)                  |
| Unrealized holding gains (losses) of available-for-sale securities (Note 4) | 54,088                            | (42,450)                      | (68,894)                   |
| Unrealized gains (losses) of derivative instruments<br>(Note 9)             | 2,658                             | (926)                         | (1,218)                    |
| Minimum pension liability adjustments                                       | 29,220                            | (262,194)                     | (374,984)                  |
|   | 29,635                            | (377,052)                     | (570,552)                  |

See accompanying Notes to Consolidated Financial Statements.

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## MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.

## AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

Six months ended September 30, 2003 and 2002 and year ended March 31, 2003

|  | Yen (millions)                    |                               |           |
|--|-----------------------------------|-------------------------------|-----------|
|  | Six months ended<br>September 30, | Year ended<br>March 31,       |           |
|  | 2003                              | 2002<br>Restated-<br>Note (2) | 2003      |
| Cash flows from operating activities:  |                                   |                               |           |
| Net income (loss)  | 23,146                            | 17,599                        | (19,453)  |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                                   |                               |           |
| Depreciation and amortization  | 134,550                           | 150,724                       | 302,141   |
| Net gain on sale of investments  | (9,287)                           | (1,087)                       | (93)      |
| Provision for doubtful receivables   | 4,002                             | 4,653                         | 17,621    |
| Deferred income taxes  | (19,584)                          | 4,070                         | 19,572    |
| Write-down of investment securities  | 48,011                            | 3,765                         | 52,611    |
| Impairment loss on long-lived assets   |                                   | 2,375                         | 2,375     |
| Minority interests   | 8,216                             | (980)                         | 5,505     |
| (Increase) decrease in trade receivables   | 28,626                            | (14,664)                      | (72,604)  |
| (Increase) decrease in inventories   | (111,963)                         | (66,295)                      | 82,573    |
| (Increase) decrease in other current assets  | (28,304)                          | (1,323)                       | 27,996    |
| Increase (decrease) in trade payables  | 30,923                            | 128,702                       | 162,378   |
| Increase (decrease) in accrued income taxes  | 9,547                             | 4,475                         | 4,960     |
| Increase (decrease) in accrued expenses and other current liabilities                    | 35,940                            | 86,113                        | 79,252    |
| Increase (decrease) in retirement and severance benefits                                 | 22,894                            | 8,346                         | 16,622    |
| Other  | 28,037                            | (1,556)                       | 16,861    |
| Net cash provided by operating activities  | 204,754                           | 324,917                       | 698,317   |
| Cash flows from investing activities:  |                                   |                               |           |
| Proceeds from sale of short-term investments   |                                   | 4,516                         | 10,523    |
| Purchase of short-term investments   | (765)                             | (878)                         |           |
| Proceeds from disposition of investments and advances                                    | 50,219                            | 57,537                        | 121,001   |
| Increase in investments and advances   | (25,839)                          | (43,186)                      | (80,774)  |
| Capital expenditures   | (131,225)                         | (109,907)                     | (246,603) |
| Proceeds from disposals of property, plant and equipment                                 | 37,752                            | 22,635                        | 58,270    |



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|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| (Increase) decrease in finance receivables          | 8,546             | 17,117            | 29,158            |
| (Increase) decrease in time deposits                | 17,265            | 133,031           | 96,371            |
| Other   | 3,554             | 14,199            | 877               |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| Net cash provided by (used in) investing activities | (40,493)          | 95,064            | (11,177)          |
|   | <u>          </u> | <u>          </u> | <u>          </u> |

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Six months ended September 30, 2003 and 2002 and year ended March 31, 2003

|   | Yen (millions)                    |                               |                            |
|---|-----------------------------------|-------------------------------|----------------------------|
|   | Six months ended<br>September 30, |                               | Year<br>ended<br>March 31, |
|   | 2003                              | 2002<br>Restated-<br>Note (2) | 2003                       |
| Cash flows from financing activities:                                     |                                   |                               |                            |
| Decrease in short-term borrowings   | (5,999)                           | (39,502)                      | (106,630)                  |
| Increase (decrease) in deposits and advances from customers and employees | 4,466                             | (6,122)                       | (20,589)                   |
| Proceeds from long-term debt  | 23,009                            | 75,000                        | 122,288                    |
| Repayments of long-term debt  | (83,370)                          | (221,722)                     | (293,088)                  |
| Dividends paid  | (14,746)                          | (7,814)                       | (20,798)                   |
| Dividends paid to minority interests                                      | (3,699)                           | (5,479)                       | (8,267)                    |
| Repurchase of common stock  | (58,397)                          | (10,445)                      | (115,770)                  |
| Other   | 1,782                             |                               |                            |
|   | (136,954)                         | (216,084)                     | (442,854)                  |
| Net cash used in financing activities                                     |                                   |                               |                            |
| Effect of exchange rate changes on cash and cash equivalents              | (18,136)                          | (15,845)                      | (9,948)                    |
|   | 9,171                             | 188,052                       | 234,338                    |
| Net increase in cash and cash equivalents                                 |                                   |                               |                            |
| Cash and cash equivalents at beginning of period                          | 1,167,470                         | 933,132                       | 933,132                    |
|   | 1,176,641                         | 1,121,184                     | 1,167,470                  |
| Cash and cash equivalents at end of period                                |                                   |                               |                            |

See accompanying Notes to Consolidated Financial Statements.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2003 and 2002 and March 31, 2003

(1) **Summary of Significant Accounting Policies**

(a) **Description of Business**

Matsushita Electric Industrial Co., Ltd. (hereinafter, the Company, including consolidated subsidiaries, unless the context otherwise requires) is one of the world's leading producers of electronic and electric products. The Company currently offers a comprehensive range of products, systems and components for consumer, business and industrial use based on sophisticated electronics and precision technology. Most of the Company's products are marketed under Panasonic and several other trade names, including National, Technics, Quasar, Victor and JVC.

Sales for the six months ended September 30, 2003 were categorized as follows: AVC Networks 47%, (Video and audio equipment 18%, Information and communications equipment 29%), Home Appliances 16%, Components and Devices 16%, JVC 11% and Other 10%. A sales breakdown by geographical market was as follows: Japan 46%, North and South America 19%, Europe 14%, and Asia and Others 21%.

The Company is not dependent on a single supplier, and has no significant difficulty in obtaining raw materials from suppliers.

(b) **Basis of Presentation of Consolidated Financial Statements**

The Company and its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein have been prepared in a manner and reflect the adjustments which are necessary to conform with accounting principles generally accepted in the United States of America.

(c) **Principles of Consolidation**

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The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated on consolidation.

Investments in associated companies, including the companies in which the Company's ownership is 20% to 50% and corporate joint ventures, are stated at their underlying net equity value after elimination of intercompany profits.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) **Revenue Recognition**

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured.

(e) **Leases**

A subsidiary of the Company leases machinery and equipment. Leases of such assets are principally accounted for as direct financing leases and included in Trade receivables, Accounts and Noncurrent receivables in the accompanying consolidated balance sheets.

(f) **Inventories**

Finished goods and work in process are stated at the lower of cost (average) or market. Raw materials are stated at cost, principally on a first-in, first-out basis, not in excess of current replacement cost.

(g) **Foreign Currency Translation**

Foreign currency financial statements are translated in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation, under which all assets and liabilities are translated into yen at period-end rates and income and expense accounts are translated at weighted average rates. Adjustments resulting from the translation of financial statements are reflected under the caption, Accumulated other comprehensive income (loss), a separate component of stockholders' equity.

(h) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost. Depreciation is computed primarily using the declining balance method based on the following estimated useful lives:

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|                         |               |
|-------------------------|---------------|
| Buildings               | 5 to 50 years |
| Machinery and equipment | 2 to 10 years |

### (i) **Goodwill and Other Intangible Assets**

Goodwill represents the excess of costs over the fair value of net assets of businesses acquired. The Company adopted the provisions of SFAS No. 142 for the fiscal year beginning April 1, 2002. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, and are instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets. SFAS No. 142 required the Company to perform an assessment of whether there was an indication that goodwill is impaired as of the date of adoption. The results of this assessment did not require the Company to recognize an impairment loss.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(j) **Investments in Available-for-Sale Securities**

The Company accounts for debt and equity securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities.

SFAS No. 115 requires that certain investments in debt and equity securities be classified as held-to-maturity, trading, or available-for-sale securities. The Company classifies its existing marketable equity securities other than investments in associated companies and all debt securities as available-for-sale. Available-for-sale securities are carried at fair value with unrealized holding gains or losses included as a component of accumulated other comprehensive income (loss), net of applicable taxes.

Individual securities classified as available-for-sale are reduced to net realizable value by a charge to earnings for other than temporary declines in fair value. Realized gains and losses are determined on the average cost method and are reflected in earnings.

(k) **Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

(l) **Advertising**

Advertising costs are expensed as incurred.

(m) **Net Income (Loss) per Share**

The Company accounts for net income (loss) per share in accordance with SFAS No. 128, Earnings per Share. This Statement establishes standards for computing net income (loss) per share and requires dual presentation of basic and diluted net income (loss) per share on the face of

the statements of operations for all entities with complex capital structures.

Under SFAS No. 128, basic net income (loss) per share is computed based on the weighted average number of common shares outstanding during each period, and diluted net income (loss) per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.



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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.

AND SUBSIDIARIES

Notes to Consolidated Financial Statements

**(n) Cash Equivalents**

Cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less.

**(o) Derivative Financial Instruments**

Derivative financial instruments utilized by the Company and its subsidiaries are comprised principally of foreign exchange contracts, interest rate swaps and commodity futures used to hedge currency risk, interest rate risk and commodity price risk.

The Company adopts SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB statement No. 133, and recognizes derivatives in the consolidated balance sheets at their fair value in Other current assets, Other assets, Other current liabilities or Other liabilities. On the date the derivative contract is entered into, the Company designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ( fair-value hedge), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ( cash-flow hedge), or a foreign-currency fair-value or cash-flow hedge ( foreign-currency hedge). The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. The Company also formally assesses, both at the hedge s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item. Changes in the fair value of derivatives that are highly effective as hedges and that are designated and qualify as foreign-currency hedges are recorded in either earnings or other comprehensive income (loss), depending on whether the hedge transaction is a fair-value hedge or a cash-flow hedge. Changes in the fair value of derivative instruments that are not designated as part of a hedging relationship are reported in current period earnings.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

**(p) Impairment of Long-Lived Assets**

The Company adopted SFAS No. 144 for the fiscal year beginning April 1, 2002. The adoption of SFAS No. 144 did not affect the Company's consolidated financial statements. SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of. SFAS No. 144 also changes the criteria for classifying an asset as held for sale; and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with SFAS No. 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

**(q) Stock-Based Compensation**

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock option plans described.

As the option price at the date of grant exceeded the fair market value of common stock, no compensation costs have been recognized in connection with the plans. If the accounting provision of SFAS No. 123, Accounting for Stock-Based Compensation, had been adopted, the impact on the Company's net income (loss) for the six months ended September 30, 2003 and 2002 and the year ended March 31, 2003 would not be material.

**(r) Product Warranties**

A Liability for the estimated product warranty related cost is established at the time revenue is recognized and is included in Other accrued expenses. Estimates for accrued warranty cost are primarily based on historical experience and current information on repair costs.

(s) **Use of Estimates**

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

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Notes to Consolidated Financial Statements

(t) **Reclassifications**

Certain reclassifications have been made to the financial statements for the six months ended September 30, 2002 to conform with the presentation used for the six months ended September 30, 2003.

(2) **Restatement of Consolidated Financial statements**

During the year ended March 31, 2003, the Company began consolidating certain previously unconsolidated subsidiaries, primarily overseas subsidiaries of Victor Company of Japan, Ltd., a consolidated subsidiary of the Company, due to the increased materiality of these subsidiaries. The decision to consolidate these subsidiaries was also consistent with the Company's new domain-based global consolidated management policy implemented through the groupwide business and organizational restructuring in January 2003. As a result of the consolidation of these subsidiaries, the consolidated financial statements of all prior periods presented have been restated.

As a result of the restatement, net income for the period ended September 30, 2002 decreased by 247 million yen. Net income per share for the period ended September 30, 2002 decreased by 0.12 yen. Stockholders' equity as of September 30, 2002 increased by 1,712 million yen.

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Notes to Consolidated Financial Statements

The effect of the restatement on the consolidated balance sheet as of September 30, 2002 is as follows:

|                                    | Yen (millions)         |           |
|------------------------------------|------------------------|-----------|
|                                    | September 30, 2002     |           |
|                                    | Previously<br>reported | Restated  |
| <b>Assets</b>                      |                        |           |
| Current assets:                    |                        |           |
| Cash and cash equivalents          | 1,090,891              | 1,121,184 |
| Time deposits                      | 361,300                | 366,405   |
| Short-term investments             | 5,110                  | 5,110     |
| Trade receivables:                 |                        |           |
| Notes                              | 67,303                 | 71,093    |
| Accounts                           | 1,020,334              | 1,073,439 |
| Allowance for doubtful receivables | (41,247)               | (44,784)  |
| Net trade receivables              | 1,046,390              | 1,099,748 |
| Inventories                        | 862,886                | 940,735   |
| Other current assets               | 475,522                | 484,202   |
| Total current assets               | 3,842,099              | 4,017,384 |
| Noncurrent receivables             | 308,747                | 308,747   |
| Investments and advances           | 1,217,016              | 1,136,447 |
| Property, plant and equipment:     |                        |           |
| Land                               | 217,200                | 226,123   |
| Buildings                          | 1,255,473              | 1,297,039 |
| Machinery and equipment            | 2,924,531              | 3,003,360 |
| Construction in progress           | 54,592                 | 55,739    |
| Less accumulated depreciation      | 4,451,796              | 4,582,261 |
| Net property, plant and equipment  | 3,150,927              | 3,231,867 |
| Net property, plant and equipment  | 1,300,869              | 1,350,394 |

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|                    |           |           |
|--------------------|-----------|-----------|
| Other assets:      |           |           |
| Goodwill           | 98,169    | 98,205    |
| Intangibles assets | 66,709    | 68,620    |
| Other assets       | 695,130   | 692,041   |
|                    | <hr/>     | <hr/>     |
| Total other assets | 860,008   | 858,866   |
|                    | <hr/>     | <hr/>     |
|                    | 7,528,739 | 7,671,838 |
|                    | <hr/>     | <hr/>     |

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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Notes to Consolidated Financial Statements

The effect of the restatement on the consolidated balance sheet as of September 30, 2002 is as follows:

|  | <b>Yen (millions)</b>      |                 |
|--|----------------------------|-----------------|
|  | <b>September 30, 2002</b>  |                 |
| <b>Liabilities and Stockholders Equity</b>                         | <b>Previously reported</b> | <b>Restated</b> |
| Current liabilities:   |                            |                 |
| Short-term borrowings, including current portion of long-term debt | 251,796                    | 304,674         |
| Trade payables:  |                            |                 |
| Notes  | 30,412                     | 32,288          |
| Accounts   | 630,455                    | 653,136         |
|  | 660,867                    | 685,424         |
| Total trade payables   |                            |                 |
| Accrued income taxes   | 29,692                     | 33,069          |
| Accrued payroll  | 118,294                    | 122,731         |
| Other accrued expenses   | 719,913                    | 748,047         |
| Deposits and advances from customers                               | 110,088                    | 111,886         |
| Employees deposits   | 128,295                    | 128,295         |
| Other current liabilities  | 373,921                    | 377,694         |
|  | 2,392,866                  | 2,511,820       |
| Total current liabilities  |                            |                 |
| Noncurrent liabilities:  |                            |                 |
| Long-term debt   | 689,311                    | 703,515         |
| Retirement and severance benefits                                  | 1,170,484                  | 1,174,420       |
| Other liabilities  | 3,793                      | 4,921           |
|  | 1,863,588                  | 1,882,856       |
| Total noncurrent liabilities                                       |                            |                 |
| Minority interests   | 421,921                    | 425,086         |
| Stockholders equity:   |                            |                 |
| Common stock   | 258,738                    | 258,738         |
| Capital surplus  | 682,374                    | 682,374         |

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|  |           |           |
|--|-----------|-----------|
| Legal reserve  | 83,127    | 83,437    |
| Retained earnings  | 2,471,222 | 2,479,351 |
| Accumulated other comprehensive income (loss):                     |           |           |
| Cumulative translation adjustments                                 | (137,544) | (144,202) |
| Unrealized holding gains (losses) of available-for-sale securities | 8,431     | 8,362     |
| Unrealized gains (losses) of derivative instruments                | (798)     | (798)     |
| Minimum pension liability adjustments                              | (412,556) | (412,556) |
|  | <hr/>     | <hr/>     |
| Total accumulated other comprehensive income (loss)                | (542,467) | (549,194) |
|  | <hr/>     | <hr/>     |
| Treasury stock, at cost  | (102,630) | (102,630) |
|  | <hr/>     | <hr/>     |
| Total stockholders' equity   | 2,850,364 | 2,852,076 |
| Commitments and contingent liabilities                             |           |           |
|  | <hr/>     | <hr/>     |
|  | 7,528,739 | 7,671,838 |
|  | <hr/>     | <hr/>     |



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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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Notes to Consolidated Financial Statements

The effect of the restatement on the consolidated statements of operations for the six months ended September 30, 2002 is as follows:

|  | Yen (millions)         |           |
|--|------------------------|-----------|
|  | September 30, 2002     |           |
|  | Previously<br>reported | Restated  |
| Revenues:  |                        |           |
| Net sales  | 3,537,223              | 3,620,969 |
| Interest income  | 11,914                 | 12,187    |
| Dividends received   | 3,522                  | 2,267     |
| Other income   | 39,135                 | 39,149    |
| Total revenues   | 3,591,794              | 3,674,572 |
| Costs and expenses:  |                        |           |
| Cost of sales  | 2,524,852              | 2,599,473 |
| Selling, general and administrative expenses   | 967,002                | 971,490   |
| Interest expense   | 16,772                 | 17,824    |
| Other deductions   | 28,839                 | 30,146    |
| Total costs and expenses   | 3,537,465              | 3,618,933 |
| Income before income taxes   | 54,329                 | 55,639    |
| Provision for income taxes:  |                        |           |
| Current  | 28,750                 | 31,311    |
| Deferred   | 5,273                  | 4,070     |
|  | 34,023                 | 35,381    |
| Income before minority interests and equity in earnings (losses) of associated companies | 20,306                 | 20,258    |
| Minority interests   | (1,027)                | (980)     |
| Equity in earnings (losses) of associated companies                                      | (3,487)                | (3,639)   |
| Net income   | 17,846                 | 17,599    |

|                                      | <u>Yen</u> |      |
|--------------------------------------|------------|------|
| Net income per share of common stock |            |      |
| Basic                                | 8.59       | 8.47 |
| Diluted                              | 8.53       | 8.42 |

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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Notes to Consolidated Financial Statements

The effect of the restatement on the consolidated statements of cash flows for the six months ended September 30, 2002 is as follows:

|   | <b>Yen (millions)</b>          |                 |
|---|--------------------------------|-----------------|
|   | <b>September 30, 2002</b>      |                 |
|   | <b>Previously<br/>Reported</b> | <b>Restated</b> |
| Net cash provided by operating activities | 334,421                        | 324,917         |
| Net cash provided by investing activities | 94,785                         | 95,064          |
| Net cash used in financing activities     | (224,159)                      | (216,084)       |

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(3) Inventories

Inventories at September 30, 2003 and 2002 and March 31, 2003 are summarized as follows:

|                 | Yen (millions) |                |                |
|-----------------|----------------|----------------|----------------|
|                 | September 30,  |                | March 31,      |
|                 | 2003           | 2002           | 2003           |
| Finished goods  | 475,522        | 516,607        | 426,834        |
| Work in process | 148,944        | 153,687        | 129,180        |
| Raw materials   | 246,578        | 270,441        | 227,248        |
|                 | <u>871,044</u> | <u>940,735</u> | <u>783,262</u> |

(4) Investments in Available-for-Sale Securities

The Company classifies its existing marketable equity securities other than investments in associated companies and all debt securities as available-for-sale.

The cost, fair value, net unrealized holding gain (loss) of available-for-sale securities included in short-term investments and investments and advances at September 30, 2003 and 2002 and March 31, 2003 are as follows:

| Yen (millions)            |
|---------------------------|
| <u>September 30, 2003</u> |

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|                   |                   |                   | Net unrealized         |
|-------------------|-------------------|-------------------|------------------------|
|                   | Cost              | Fair<br>value     | holding gain<br>(loss) |
|                   | <u>          </u> | <u>          </u> | <u>          </u>      |
| Current:          |                   |                   |                        |
| Equity securities |                   |                   |                        |
| Bonds             | 1,004             | 1,006             | 2                      |
| Other             | 1,830             | 1,830             |                        |
|                   | <u>2,834</u>      | <u>2,836</u>      | <u>2</u>               |
| Noncurrent:       |                   |                   |                        |
| Equity securities | 228,391           | 323,386           | 94,995                 |
| Bonds             | 21,227            | 21,001            | (226)                  |
| Other             | 10,922            | 10,888            | (34)                   |
|                   | <u>260,540</u>    | <u>355,275</u>    | <u>94,735</u>          |

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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## Notes to Consolidated Financial Statements

|                   | Yen (millions)     |                |  |
|-------------------|--------------------|----------------|--|
|                   | September 30, 2002 |                |  |
|                   | Cost               | Fair<br>value  | Net unrealized<br>holding gain<br>(loss) |
| Current:          |                    |                |  |
| Equity securities |                    |                |  |
| Bonds             | 6                  | 6              |  |
| Other             | 5,104              | 5,104          |  |
|                   | <u>5,110</u>       | <u>5,110</u>   |  |
| Noncurrent:       |                    |                |  |
| Equity securities | 286,600            | 340,469        | 53,869                                   |
| Bonds             | 49,669             | 49,228         | (441)                                    |
| Other             | 19,751             | 19,933         | 182                                      |
|                   | <u>356,020</u>     | <u>409,630</u> | <u>53,610</u>                            |
|                   |                    |                |  |
|                   | Yen (millions)     |                |  |
|                   | March 31, 2003     |                |  |
|                   | Cost               | Fair<br>value  | Net unrealized<br>holding gain<br>(loss) |
| Current:          |                    |                |  |
| Equity securities |                    |                |  |
| Bonds             | 4                  | 4              |  |
| Other             | 1,192              | 1,192          |  |

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|                   |         |         |        |
|-------------------|---------|---------|--------|
|                   | 1,196   | 1,196   |        |
| Noncurrent:       |         |         |        |
| Equity securities | 242,946 | 254,032 | 11,086 |
| Bonds             | 23,663  | 22,914  | (749)  |
| Other             | 10,851  | 10,670  | (181)  |
|                   | 277,460 | 287,616 | 10,156 |

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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Notes to Consolidated Financial Statements

(5) Leases

The Company and its subsidiaries have operating leases for certain machinery and equipment. Future minimum lease payments under operating leases at September 30, 2003 are as follows:

|                                  | <b>Yen (millions)</b> |
|----------------------------------|-----------------------|
| Due within 1 year                | 28,487                |
| Due after 1 year within 2 years  | 28,382                |
| Due after 2 years within 3 years | 27,655                |
| Due after 3 years within 4 years | 29,183                |
| Due after 4 years within 5 years | 219                   |
| Thereafter                       | 53                    |
|                                  | 113,979               |
| Total minimum lease payments     |                       |

A subsidiary of the Company leases machinery and equipment. Leases of such assets are principally accounted for as direct financing leases.

The aggregate annual maturities of the investments in financing leases after September 30, 2003 are as follows:

|   | <b>Yen (millions)</b> |
|---|-----------------------|
| Due within 1 year                           | 138,940               |
| Due after 1 year within 2 years             | 106,525               |
| Due after 2 years within 3 years            | 74,871                |
| Due after 3 years within 4 years            | 45,978                |
| Due after 4 years within 5 years            | 24,607                |
| Thereafter                                  | 8,344                 |
|   | 399,265               |
| Total minimum lease payments to be received |                       |



(6) Net Assets per Share

Net assets per share as of September 30, 2003 and 2002 and March 31, 2003 are as follows:

|                      | Yen           |           |          |
|----------------------|---------------|-----------|----------|
|                      | September 30, | March 31, |          |
|                      | 2003          | 2002      | 2003     |
| Net assets per share | 1,356.61      | 1,372.87  | 1,347.17 |

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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(7) Net Income (Loss) per Share

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share computation for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003 are as follows:

|  | Yen (millions)   |        |            |
|--|------------------|--------|------------|
|  | Six months ended |        | Year ended |
|  | September 30,    |        | March 31,  |
|  | 2003             | 2002   | 2003       |
| Net income (loss) available to common stockholders | 23,146           | 17,599 | (19,453)   |
| Effect of assumed conversions:                     |                  |        |            |
| Convertible bonds, due 2004, interest 1.4%         | 398              | 398    |            |
| Diluted net income (loss)                          | 23,544           | 17,997 | (19,453)   |

|  | Number of shares |               |               |
|--|------------------|---------------|---------------|
|  | Six months ended |               | Year ended    |
|  | September 30,    |               | March 31,     |
|  | 2003             | 2002          | 2003          |
| Average common shares outstanding          | 2,333,674,358    | 2,077,820,545 | 2,234,968,907 |
| Dilutive effect of assumed conversions:    |                  |               |               |
| Convertible bonds, due 2004, interest 1.4% | 60,334,568       | 60,334,568    |               |
| Diluted common shares outstanding          | 2,394,008,926    | 2,138,155,113 | 2,234,968,907 |

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|                              | Yen              |      |            |
|------------------------------|------------------|------|------------|
|                              | Six months ended |      | Year ended |
|                              | September 30,    |      | March 31,  |
|                              | 2003             | 2002 | 2003       |
| Net income (loss) per share: |                  |      |            |
| Basic                        | 9.92             | 8.47 | (8.70)     |
| Diluted                      | 9.83             | 8.42 | (8.70)     |

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Notes to Consolidated Financial Statements

(8) Supplementary Information to the Statements of Operations and Cash Flows

Included in other deductions of costs and expenses for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003 is a loss of 869 million yen, 11,311 million yen, and 12,476 million yen, respectively, associated with the implementation of the early retirement programs.

A write-down of 48,011 million yen, 3,765 million yen and 52,611 million yen on investment securities mainly reflecting the aggravated condition of the Japanese stock market is included in other deductions of costs and expenses for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003, respectively.

Included in other income of revenues for the six months ended September 30, 2002 is a gain of 10,805 million yen associated with the sale of Panasonic Disc Services Corporation.

Income taxes and interest expenses paid and noncash investing and financing activities for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003 are as follows:

|   | Yen (millions)                    |        |                         |
|---|-----------------------------------|--------|-------------------------|
|   | Six months ended<br>September 30, |        | Year ended<br>March 31, |
|   | 2003                              | 2002   | 2003                    |
| a) Cash paid:   |                                   |        |                         |
| Interest  | 12,488                            | 13,471 | 32,587                  |
| Income taxes  | 32,384                            | 26,836 | 46,744                  |
| b) Noncash investing and financing activities:                |                                   |        |                         |
| Conversion of bonds   |                                   | 2      | 2                       |
| Capital transactions by consolidated and associated companies |                                   | 475    | 650                     |
| Stock provided under exchange offering                        | 6,579                             |        | 638,308                 |

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|  |       |        |        |
|--|-------|--------|--------|
| Contribution of assets and liabilities to associated companies | 3,278 | 20,960 | 31,740 |
|--|-------|--------|--------|

### (9) Derivatives and Hedging Activities

The Company and its subsidiaries operate internationally, giving rise to significant exposure to market risks arising from changes in foreign exchange rates, interest rates and commodity prices. The Company assesses these risks by continually monitoring changes in these exposures and by evaluating hedging opportunities. Derivative financial instruments utilized by the Company and some of its subsidiaries to hedge these risks are comprised principally of foreign exchange contracts, interest rate swaps and commodity derivatives. The Company does not hold or issue derivative financial instruments for any purposes other than hedging.

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Gains and losses related to derivative instruments are classified in other income (deductions) in the consolidated statements of operations. The amount of the hedging ineffectiveness and net gain or loss excluded from the assessment of hedge effectiveness is not material for the six months ended September 30, 2003 and 2002 and the year ended March 31, 2003. Amounts included in accumulated other comprehensive income (loss) at September 30, 2003 are expected to be recognized in earnings principally over the next twelve months. The maximum term over which the Company is hedging exposures to the variability of cash flows for foreign currency exchange risk is approximately five months.

The Company and its subsidiaries are exposed to credit risk in the event of non-performance by counterparties to the derivative contracts, but such risk is considered mitigated by the high credit rating of the counterparties.

(10) Commitments and Contingent Liabilities

Contingent liabilities at September 30, 2003 and 2002 and March 31, 2003 for discounted export bills of exchange and guarantees of loans amounted to approximately 46,450 million yen, 70,981 million yen and 52,155 million yen, respectively, including 41,030 million yen, 56,580 million yen and 46,935 million yen, respectively, for loans guaranteed principally on behalf of associated companies and customers.

(11) Segment Information

In accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, the segments reported below are the components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance. In January 2003, Matsushita launched a new business domain-based organizational structure, followed by the introduction of a new groupwide management system effective from April 1, 2003.

The Company has reclassified its previous four business segments: AVC Networks, Home Appliances, Industrial Equipment, and Components and Devices into five new segments effective April 1, 2003. The five new segments are: AVC Networks, Home Appliances, Components and Devices, JVC, and Other. Business segments correspond to categories of activity classified primarily by markets, products and brand names. Accordingly, the figures of all prior periods presented have been restated. AVC Networks includes video and audio equipment, and information and communications equipment. Home Appliances includes home appliances and household equipment. Components and Devices includes electronic components, semiconductors, electric motors and batteries. JVC includes products marketed under the brand name of JVC or Victor.

Other includes electronic-parts-mounting machines, industrial robots and industrial equipment.

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Information by segment for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003 is shown in the tables below:

By Business Segment:

|                         | Yen (millions)                    |           |                            |
|-------------------------|-----------------------------------|-----------|----------------------------|
|                         | Six months ended<br>September 30, |           | Year<br>ended<br>March 31, |
|                         | 2003                              | 2002      | 2003                       |
| Sales:                  |                                   |           |                            |
| AVC Networks:           |                                   |           |                            |
| Customers               | 1,789,634                         | 1,748,268 | 3,621,211                  |
| Intersegment            | 38,267                            | 21,999    | 46,984                     |
| Total                   | 1,827,901                         | 1,770,267 | 3,668,195                  |
| Home Appliances:        |                                   |           |                            |
| Customers               | 580,393                           | 595,213   | 1,169,608                  |
| Intersegment            | 23,610                            | 13,168    | 27,873                     |
| Total                   | 604,003                           | 608,381   | 1,197,481                  |
| Components and Devices: |                                   |           |                            |
| Customers               | 530,816                           | 543,341   | 1,145,092                  |
| Intersegment            | 295,702                           | 298,209   | 564,640                    |
| Total                   | 826,518                           | 841,550   | 1,709,732                  |
| JVC:                    |                                   |           |                            |
| Customers               | 403,674                           | 425,251   | 827,967                    |
| Intersegment            | 5,724                             | 7,702     | 23,542                     |
| Total                   | 409,398                           | 432,953   | 851,509                    |
| Other:                  |                                   |           |                            |
| Customers               | 335,171                           | 308,896   | 637,836                    |



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|                    |           |           |           |
|--------------------|-----------|-----------|-----------|
| Intersegment       | 140,897   | 90,937    | 181,219   |
|                    | <hr/>     | <hr/>     | <hr/>     |
| Total              | 476,068   | 399,833   | 819,055   |
| Eliminations       | (504,200) | (432,015) | (844,258) |
|                    | <hr/>     | <hr/>     | <hr/>     |
| Consolidated total | 3,639,688 | 3,620,969 | 7,401,714 |
|                    | <hr/>     | <hr/>     | <hr/>     |

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
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## Notes to Consolidated Financial Statements

|  | Yen (millions)                    |               |                                 |
|--|-----------------------------------|---------------|---------------------------------|
|  | Six months ended<br>September 30, | 2002          | Year ended<br>March 31,<br>2003 |
|  | 2003                              | 2002          | 2003                            |
| Segment profit:                                |                                   |               |                                 |
| AVC Networks                                   | 58,264                            | 26,180        | 82,828                          |
| Home Appliances                                | 19,011                            | 21,494        | 45,240                          |
| Components and Devices                         | 25,774                            | 16,573        | 31,213                          |
| JVC  | 10,078                            | 8,776         | 21,863                          |
| Other  | 7,161                             | 9,806         | 13,042                          |
| Corporate and eliminations                     | (40,682)                          | (32,823)      | (67,615)                        |
| <b>Total segment profit</b>                    | <b>79,606</b>                     | <b>50,006</b> | <b>126,571</b>                  |
| Interest income                                | 9,809                             | 12,187        | 22,267                          |
| Dividends received                             | 3,558                             | 2,267         | 4,506                           |
| Other income                                   | 36,501                            | 39,149        | 64,677                          |
| Interest expense                               | (13,888)                          | (17,824)      | (32,805)                        |
| Other deductions                               | (58,332)                          | (30,146)      | (116,300)                       |
| <b>Consolidated income before income taxes</b> | <b>57,254</b>                     | <b>55,639</b> | <b>68,916</b>                   |

Corporate expenses include certain corporate R&D expenditures and general corporate expenses.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

By Geographical Area:

Sales attributed to countries based upon the customer's location are as follows:

|  | Yen (millions)   |                  |                  |
|--|------------------|------------------|------------------|
|  | Six months ended |                  | Year ended       |
|  | September 30,    |                  | March 31,        |
|  | 2003             | 2002             | 2003             |
| Sales:   |                  |                  |                  |
| Japan  | 1,676,301        | 1,655,749        | 3,453,836        |
| North and South America                                      | 674,415          | 740,404          | 1,420,802        |
| Europe   | 507,755          | 449,842          | 999,637          |
| Asia and Others  | 781,217          | 774,974          | 1,527,439        |
|  | <b>3,639,688</b> | <b>3,620,969</b> | <b>7,401,714</b> |
| Consolidated total   |                  |                  |                  |
| United States of America included in North and South America | 604,440          | 672,443          | 1,282,861        |

There are no individually material countries of which sales should be separately disclosed in North and South America, Europe and Asia and Others, except for the United States of America.

Transfers between business segments or geographic segments are made at arms-length prices. There are no sales to a single external major customer for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003.

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MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following information shows sales and geographical profit which are attributed to geographic areas based on the country location of the Company or its subsidiaries for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003. In addition to the disclosure requirements under SFAS No. 131, the Company discloses this information as supplemental information in light of the disclosure requirements of the Japanese Securities and Exchange Law, which a Japanese public company is subject to:

|                          | Yen (millions)   |             |             |
|--------------------------|------------------|-------------|-------------|
|                          | Six months ended |             | Year ended  |
|                          | September 30,    |             | March 31,   |
|                          | 2003             | 2002        | 2003        |
| Sales:                   |                  |             |             |
| Japan:                   |                  |             |             |
| Customers                | 1,925,952        | 1,940,607   | 4,032,432   |
| Intersegment             | 775,557          | 727,033     | 1,107,962   |
| Total                    | 2,701,509        | 2,667,640   | 5,140,394   |
| North and South America: |                  |             |             |
| Customers                | 643,296          | 704,186     | 1,364,283   |
| Intersegment             | 12,235           | 13,933      | 26,116      |
| Total                    | 655,531          | 718,119     | 1,390,399   |
| Europe:                  |                  |             |             |
| Customers                | 476,495          | 412,101     | 922,312     |
| Intersegment             | 6,542            | 8,792       | 16,938      |
| Total                    | 483,037          | 420,893     | 939,250     |
| Asia and Others:         |                  |             |             |
| Customers                | 593,945          | 564,075     | 1,082,687   |
| Intersegment             | 504,862          | 491,523     | 754,725     |
| Total                    | 1,098,807        | 1,055,598   | 1,837,412   |
| Eliminations             | (1,299,196)      | (1,241,281) | (1,905,741) |
| Consolidated total       | 3,639,688        | 3,620,969   | 7,401,714   |

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|                            |          |          |          |
|----------------------------|----------|----------|----------|
| Geographical profit:       |          |          |          |
| Japan                      | 61,900   | 43,946   | 88,152   |
| North and South America    | 10,316   | 11,802   | 22,449   |
| Europe                     | 4,638    | 3,946    | 21,741   |
| Asia and Others            | 43,469   | 39,387   | 71,016   |
| Corporate and eliminations | (40,717) | (49,075) | (76,787) |
|                            | <hr/>    | <hr/>    | <hr/>    |
| Consolidated total         | 79,606   | 50,006   | 126,571  |
|                            | <hr/>    | <hr/>    | <hr/>    |