

**Panasonic
CES 2004
Keynote Presentation**

Mr. Ohtsubo, President and CEO

Thank you. Good morning, everyone. It is my pleasure today to talk about the direction of our very dynamic industry and where the vision of "Connection" will take us. But first I would like to begin with a little story.

It is both profound and funny.

In 1932 our founder, Konosuke Matsushita watched a poor man take a drink of water from a tap. Mr. Matsushita was a visionary. So he thought to himself, this is how Consumer Electronic products should be. Available to everyone and abundant - like water.

Since the very beginning of the company, this is how we see the world. Like this steady stream of water. From the first drop, to the rushing stream, everything flows naturally. From one point to the next. Just like water, everything serves a purpose, everything is connected. Sometimes in surprising ways.

Let me explain. A few days ago I was in a big supermarket here in the United States. In one aisle they were selling a calculator. It was the size of a credit card. And the price was only .99 cents. And it had a solar panel. So the power-source was completely free. A few aisles over, they were selling a bottle of Evian water for \$2 dollars and 49 cents! Isn't that ironic? Electronics less expensive than water!

Of course the realization of this dream presents many challenges for our industry. Providing ever-improving products at affordable prices is what we all must do. But I believe it is this very phenomenon that makes our industry the most exciting and competitive in the world. It has led our company to expand into a vast group of global operations. Where we have the wonderful opportunity to touch companies, countries and cultures all over the world. This allows us to see new technical and demographic trends first hand. And, more importantly, it makes us aware of the important place the electronics industry enjoys on a global level.

Our industry has the power to drive economic development and change. As technology leaders we must take our jobs very seriously. And always think about how we can use this potential in a responsible way. For instance, around the world today there is much talk about the psychological impact of new technologies on our lives.

In our research people speak in emotional terms about their relationship with electronic products, and the effect they have on their lives. This type of "global point-of-view" also helps re-confirm our founding principles. And I believe this is why Panasonic is so highly regarded as a respected corporate citizen on the world stage.

Basic principles such as “Contribute to society,” “Be sensitive to the environment, and to people who are physically challenged” and “Put the customer first.” All companies have their DNA. This is ours.

We would like to share some of the ways these principles influence our everyday business. Share our global perspective and experience. And share some exciting new ideas for products and systems that we believe will change how we think about our industry and the role it plays in our lives.

Christian is doing a great job helping us communicate our vision on a global level in commercials and videos like the one you just saw. As one of the world’s largest manufacturers of Consumer Electronic products, of course we understand our business from a technological and hardware point-of-view. But we must continue to challenge ourselves.

A few years ago we developed a very simple, yet very difficult directive for all employees. *“Make products people want.”* Four simple words. But their meaning drives everything we do. So it has become extremely important for us to gain a deeper understanding of the consumers’ relationship with their electronic products. How they use them. And what they mean in their lives.

Manufacturers need to focus on “hardware,” “product features,” and “technological innovation.” All very important points. But we must also understand what our research is showing us. That consumers think about these products very differently than we do. They talk about having powerful emotional ties to their electronic products. So, in addition to products we are all very much in the business of providing “comfort.” “Relaxation.” “A sense of well being.” Even “escape.”

For consumers it’s about their “time” and how to maximize it. It’s about their “precious memories.” And how to *save* them. And most important, it’s about “making it easy.” Easy to understand. Easy to set-up. And easy to use.

Some of our friends in the PC industry are beginning to see the importance of this as well. At Panasonic we are taking “ideas FROM life” to develop “Ideas FOR Life”. Understanding our business this way from a human perspective is important for all of us who sell electronic products.

These are the kinds of things people are telling us about more and more. So while it’s about Digital Devices and Development, it’s also about Daddies and Daughters and Dreams.

It is this kind of deepening understanding of the consumer’s feelings, that is leading us to develop new kinds of products. Products that communicate with their users. Products that do not require reading detailed instructions. And products that are easier to use and enjoy. This is the kind of research and information our designers use when they develop new products.

I invited Koichi Matsumoto one of our talented designers from Japan to share some of his many exciting new design approaches. Mr. Matsumoto.

Mr. Matsumoto, Designer

Good morning everyone. As Mr. Ohtsubo mentioned Panasonic studies how people use electronic products. Because even the smallest thing can lead to innovation and ideas for new products. This is what we mean by “Ideas FROM Life” to create ideas FOR life. It helps us to develop new kinds of products. Products that are fun and natural to use. So you don’t have to read confusing instruction manuals.

For example, take this Panasonic D-snap multimedia camera. With your thumb positioned on this orange jog ball, you can easily access all the functions. Just a touch of your thumb and you can review and edit your pictures. It’s fun and you don’t need to study a manual to learn how to use it. Now, I have another exciting thing to tell you about. This is a digital video camera prototype. It is very compact and slim. But the real magic is in what we call our “cascade” Interface. Notice how the screen synchs up with the motion of my thumb. Operating it is smooth and effortless. And how about transferring these images to a home server? It couldn’t be easier.

Of course, interfaces are not just for portable applications. We have to access content in the home too. Future users will keep digital libraries full of photos and video they make themselves. As well as recorded programs and premium content. But it will be quite a task to sort through and access those programs. So we are developing a new kind of smart remote like this one. It is designed to help people easily choose TV Programs to be recorded days in advance. Note the seamless connection with the electronic program guide. This is the kind of ease-of-use customers tell us they want.

HD and Digital TV and Digital Recorders will make wonderful new capabilities possible. But our industry needs to make the experience simple and easy for our customers. At Panasonic that is how we are focusing all our energies to delight the end user. Or as Mr. Ohtsubo says, “Make Products people want.”

Mr. Ohtsubo, President and CEO

Thank you Koichi. Understanding “what constitutes value” for our end-users is a primary growth strategy for Panasonic. It is equally important for us to make sure we understand what constitutes value for our retail customers as well. These are the 5 points our retailers tell us are most important for their success. First: As manufacturers we must provide a constant flow of exciting products and technology. Second: We must deliver what we promise. Third: We must make our products easy to sell. Fourth: We must offer reasonable potential for margin. And Fifth: We must make products that stay sold. This means our retail customers are looking for manufacturers to provide: “Innovation,” “Integrity,” “Brand power,” “Profit potential,” and “Reliability.”

I don’t need to tell you our business is changing constantly. New competitors seem to enter the market almost every day. It’s a challenge. But it also moves our industry forward. And it forces every major electronics manufacturer to work harder and smarter.

Based on all of these factors, we have thought about the best ways we can now add value for our retail customers... Our end-users...And the industry in general.

We built on three of our core technologies. In our advertising we have been able to say: *“SD made possible by Panasonic,” “DVD - made possible by Panasonic,”* and *“Digital TV made possible by Panasonic.”* We call this our “3-D Value Chain”. These three platforms have now come together to create a powerful networking trio. We know that from now on, our industry’s products must communicate with each other. Providing more value by connecting than each one can provide alone. That is how we are now approaching everything we do.

You may have heard confusing industry terms like Interoperability, Common Platforms, even Ubiquitous Networking. But, we are going beyond that. And looking at it from a very human perspective. So we wanted a more human expression for our Technology.

At Panasonic we are calling this vision of whole life connectivity... “LifeStream.” This concept will translate into new products, services and solutions for the consumer. And new sources of excitement, revenue and profit for our retailers. But it is important to realize, at Panasonic this is not some distant dream. It is happening now! Enabling consumers to enjoy; Whatever they want. Whenever they want. Wherever they are.

Today we are developing these products and technologies in our labs around the world. All with the knowledge that they must work with existing standards. Panasonic has long advocated open, well-accepted standards. And it is encouraging to see others in the industry now taking a similar approach. We believe LifeStream, the next level of “Connectivity,” will change our industry forever. Because it empowers consumers adds value and simplifies their lives.

So let me invite Reid Sullivan, Vice President of Panasonic Consumer Electronics Company to show you what LifeStream means today.

Mr. Reid Sullivan, Vice President, Consumer Electronics Company

Thank you Mr. Ohtsubo.

The ability to capture or enhance life and preserve and share life’s experiences is what gives our products their special value. Part of Panasonic’s Ideas For Life concept is being prepared for life as it happens. Our approach is not technology for technology’s sake. But, rather to apply technology for real life. To help you preserve those unexpected everyday moments that occur in the stream of life.

This Panasonic D-Snap multimedia camera is a super-compact, multi-function digital recorder, it lets you capture life in still pictures, video and digital audio all on an SD Memory Card. It’s all right here. In contrast to the home networks of today, the future will see seamless communication between computers and consumer electronic products.

In the current stage of LifeStream, media networking with SD Memory Cards, and DVD recording, is giving consumers a taste of the benefits they can expect in this user-friendly networked future. We’re particularly pleased that the SD Memory Card, which Panasonic

helped create, is quickly becoming the worldwide standard for flash memory cards and the medium of choice for media networking.

SD Memory Cards are enabling consumers to enjoy an entire generation of innovative portable products that make transferring content from product to product a snap. Like the SV-AV50 shown. The design of this new D-snap recorder is based on real-life needs. Its LCD screen neatly folds into its' body for protection and it fits easily into any pocket. And this new D-snap camcorder is the world's first high quality tapeless camcorder that can record in MPEG 4 or MPEG 2 for full DVD quality.

The AV-100 is about the size of a deck of cards and comes with a 512 MB SD Memory Card allowing you to record nearly 20 minutes of DVD-quality video or nearly four and a half hours using MPEG4.

Over **600** companies worldwide have discovered the benefits of SD's unique capabilities -- - small size ...super-fast transfer speed and large capacity. More than 1500 SD products are currently available supporting home, portable and mobile applications.

Panasonic alone is showing more than **60** new SD products at our booth, including 2 car video systems that let passengers enjoy video, still pictures and music directly from SD Memory Cards. While each of these SD products are great by themselves, the real excitement comes when they can all work seamlessly together. And media networking is also happening in DVD.

Take these brand new Diga DVD Recorders, for example, the latest in a category that Panasonic introduced over 3 years ago. You can easily import your still pictures and video from an SD Memory Card directly to a Diga DVD recorder for quick playback on your TV or to store on its' built-in hard drive ... or to burn directly to a DVD-RAM or DVD-R disc to share with friends or family.

Panasonic's LifeStream concept addresses networking but it also raises ease of use to a new level of importance. People are buying DVD Recorders for TV time shifting and for archiving videos on long lasting DVD discs. They love their DVD Recorders, but want them to be even easier to use.

With this in mind, Panasonic has added a new graphical user interface for 2004 to make it easier to navigate around all your digital content. We've added 6 thumbnail images so you can now navigate through your content 6 files at a time instead of one by one. And as you pass your cursor over each thumbnail the video starts moving making it easy to scan for content within a recorded video segment. And with our new 8-day Electronic Program Guide, you can just scroll to the program you want to record and select. It's that easy.

To complete the ease of moving and displaying content, we've included SD and PC Card slots in our new line of Viera flat panel Plasma and LCD TVs. Using the SD slot, a consumer can immediately enjoy watching a slideshow of pictures they've just taken directly on their TV. There's no need for booting up a PC or powering up another source device. And, whether you are using SD, DVD, or any form of broadcasted media, these high definition digital displays produce astonishing realism with a contrast ratio of up to 4000:1.

The promise of enjoying video, still images and music between devices in the home and beyond is now becoming a reality. The ability to easily access, edit and share your digital content wherever you are is what LifeStream is all about.

Thank you, everyone.
Mr. Ohtsubo....

Mr. Ohtsubo, President and CEO

Thank you, Reid.

In order to realize the potential of “LifeStream,” we need to go beyond Panasonic. LifeStream is also about new ways of delivering and interacting with content. We have been working with a wide cross-section of industry leaders to provide people with easy access to content they want. One of these leaders is the largest cable company in the United States -Comcast.

Together, we are exploring the next generation of 2-way interactive TV. And here to tell us more is Comcast’s Senior Vice President of Strategic Planning Mr. Mark Coblitz.

Mr. Mark Coblitz, Senior Vice President of Strategic Planning

Thank you, Mr. Ohtsubo, for your kind words.

I have been coming to the Consumer Electronics Show for a number of years. Every year, my cable industry colleagues and I have had many meetings with leaders of the consumer electronics industry, with the goal of aligning the interests and growth opportunities for all of us.

This year, we can celebrate an important milestone between our two industries, the so-called “plug and play” agreement that was approved by the FCC last fall. The inter-industry negotiations that led to this agreement were arduous and often highly contentious. But I think they have given each of us a much better understanding of the other’s industry. And they generated real results that are now coming into the marketplace.

Another great step forward, for which I specifically thank Panasonic, was Panasonic’s decision to sign the PHILA license, and to bring the first CableLabs Certified OpenCable TV sets to market, which you accomplished last year. This means a Comcast digital cable subscriber can enjoy digital cable programming, including premium networks, without a set-top box. And, if she moves, she can be assured her TV will work in her new home, even if she moves to an area that is not served by Comcast.

Together, our industries are making it easier for consumers to get the content and services they want, when and where they want them. Our deeper working relationships have given the cable industry a stronger presence in the retail marketplace. And by delivering both CE products and cable services in a single transaction, we have created new sales opportunities that benefit all of us.

Now we need to take this working relationship another step forward. Our industries are focused on a plug-and-play agreement for two-way, interactive consumer equipment. We must capitalize on the progress we have made so far, and resolve to put our energy into resolving these even more difficult technical issues. If we do this right, the future opportunities for both of our industries will be extraordinary. And more importantly, consumers will be able to get all the advantages of digital cable services in a television, again, even without a set-top box.

“Ease-of-use” and “consumer convenience” should be our watchwords. Let’s commit ourselves to timely progress on a new agreement. As a first step toward cooperation in the two-way world, I am pleased to tell you that Panasonic is joining with Comcast to display and promote two-way interactive digital TVs here at CES.

Panasonic will be the first to support a new standard -OpenCable Application Platform or “OCAP”, and will be demonstrating a working sample of a two-way end-to-end OCAP system -TV on the show floor. I hope this is just the first of many such cooperative relationships between CE manufacturers and cable operators, and I encourage those of you from the CE industry to seize these opportunities.

To show you the significance of this relationship, we have arranged to demonstrate cable’s premier two-way product, video-on-demand, operating on a Panasonic OCAP standard set. Let me show you how it works, and how it will enhance Mr. Ohtsubo’s new “LifeStream” concept.

Mr. Ohtsubo, President and CEO

Thank you for the great presentation Mark.

At this time ladies and gentlemen I would like to recognize the great contribution made by Gary Shapiro and the CEA to the success of HDTV in the U.S. Please join me in a round of applause.

Interactive cable TV is an idea that will take LifeStream to a whole new level. And it is obvious that Comcast is leading the way. And now I would like to ask Andrew Nelkin, Vice President, of Panasonic Consumer Electronics Company, to come out and show you some more near-term Panasonic developments that are just a little over the horizon, Andy.

Andrew Nelkin, Vice President, Consumer Electronics Company

For 18 years, Panasonic has been more than an official Olympic sponsor. We have been part of the team. We’ve been a technology partner that has helped athletes improve their performance, and the world to enjoy the excitement and drama that is part of the games.

Now let me introduce Annya Hatch, a member of the U.S. Women’s 2003 World Championship Gymnastic Team and a 2004 hopeful.

I just recorded her with Panasonic’s new P2 technology that will be used by our broadcast partners in the Olympic Games for the first time in Athens. It is based on SD Memory Cards and offers to the world the highest broadcast quality digital video, all with no moving parts. And what is really amazing, is that before the 2006 winter games, Panasonic will put HD in your pocket.

Consumers will be recording their experiences in the same high definition quality as the pros. They will see them in their living rooms and store them on a single SD Memory Card. This consumer High Definition camcorder will record in beautiful HD and yet it is incredibly lightweight and easy to bring to any competition. There is no tape. There is no disc. There are No moving parts. Rather, it will record using SD technology on a tiny four-gigabyte memory card. Imagine the possibilities.....

This technology will revolutionize the camcorder market where lighter, better, and easier to use products drive our dealers' business. It's not only easier than ever to capture our memories digitally ... it's also easier to share them. And Panasonic is making sure this will all happen in full HD resolution.

Imagine simply taking your memories out of the HD camcorder and networking with your HD AV Server. All the content can easily be navigated using our new control system. These incredible images of our gymnast's performance will be accessed around the home in HD via wireless technology. LifeStream leads people to expect more and more from their networked homes.

We've learned that one of the keys to the success of home networking is for us to make it easy. Panasonic's implementation of 802.11a and e will allow for full wireless HD transmission. And you are about to hear how we are even enabling new multiple stream HD through the home's existing Power-lines and even over existing Coaxial cable. So all homes can be "LifeStream"-capable without the need for additional wires.

We are committed to making the living room the center of the future HD networked home, to connect your experiences in the room where your family connects today. And we will bring internet content there to enhance the enjoyment of broadcast media. Also, as you have seen, the OCAP platform will enable interactive services to be enjoyed in the living room without a computer or even a Set Top Box.

Panasonic will continue to encourage the cable industry to work with the major content owners to offer the best solutions to our dealers and consumers. Only then will the true commercial success of this new technology be fulfilled.

The easy integration of Internet content and broadcast content remains one of the "last mile" issues that need to be overcome in order to realize the promise that LifeStream enables. And for outside the home, we plan to develop a secure and private platform for your personal content. It will let you use wireless devices like this PDA to send images and movies of your favorite gymnast from here ...to there ...to anywhere ... to anyone around the world. It's the power of being connected.

The real power of LifeStream.

It's these ideas for life that will keep igniting the passions of our consumers to enhance their home and work lives. With easy to use networked products that will keep the industry strongly growing over the next ten years.

Thank you very much.

Mr. Ohtsubo, President and CEO

LifeStream. This new level of Connectivity promises a new era for our industry. LifeStream helps satisfy our obligation to our retailers. To provide a constant flow of exciting new products and technologies. Helping to expand and profitably grow their business. It promises ever-increasing connectivity and interoperability to our end-users. It enables our industry to provide what consumers are truly looking for: Simplicity. Ease-of-use. And Freedom.

Products that work together. Across platforms and across companies. Enabling the easy and seamless transfer of information, data, and images between devices. With or without a computer.

Helping “Un-complicate,” “Un-lock” and “Un-limit” our lives. And the more these systems connect to each other, the more sensitive we need to be. And to the world around us. And to the concerns of the content owners and creators.

They depend on us to expand the potential of their product. While protecting their intellectual property, the life-blood of their business. At the same time, we are dedicated to protecting the privacy of our end-users, and keeping their data secure. We believe it is only with this cross-industry-wide attitude, and commitment to security and privacy that we will be able to grow business for all of us.

Because when content providers are comfortable enough to offer their music, movies and other premium content to the consumer, this will truly expand the concept of LifeStream. And now I would like to ask Dr. Paul Liao, our CTO of the Americas to come and share some ideas for our future vision of whole life connectivity. He will also talk about the tremendous opportunities our networked world will provide for us all.

Dr. Paul Liao, CTO, Americas

Thank you Ohtsubo-san.

As you said, Panasonic’s concept of Lifestream gives our consumers what they are truly looking for: simplicity, ease-of-use, freedom and security.

As you probably know SD and DVD RAM are already easy to use and highly secure platforms. Today, I’d like to discuss how we’re collaborating with industry groups such as the digital home working group to make home networks just as easy and secure.

Earlier, Reid and Andy showed us how media such as SD Cards and recordable DVDs easily connect our products together. And Andy talked about how content stored on the Panasonic HD AV Server will be accessible throughout the home using a home network.

So, the challenge for our engineers at Panasonic has been to develop the technology that will make all of this not only possible, but simple to install and easy to use. That's what the video showed consumers want. They said "give us something simple, something that *you plug in and that's it.*" But today, home networking is not "simple and easy". Especially it's installation.

Unfortunately, most homes are not equipped with Ethernet wiring. But for us at Panasonic, the promise of Lifestream means *New Wiring is NOT an option.* Now, Wireless technologies such as 802.11 are part of the solution. But, getting a wireless network to reach every room in your house is still a challenge.

Well, in fact, every room in your home has already been wired for electrical power. So why not create a network by simply using the wiring that's already there? Well, that's the vision of the HomePlug association. Already, it's possible to purchase HomePlug adapters that allow you to use your home electrical wiring for data networking at speeds up to 14Mbps.

But soon our consumers will want more. They'll want the ability to easily network multiple streams of entertainment throughout the home, even multiple streams of High Definition television. Therefore Panasonic engineers have extended the Home Plug capability so that common electrical wiring can now network even HDTV to every room in your home.

Today, I'm proud to announce that Panasonic's Powerline AV communications technology has been selected to be part of the baseline for the next generation of powerline data communications that will be known as Home Plug-AV. This innovative technology enables high speed communications as high as 170 Mbps which is good enough to transfer multiple streams of high-definition television. Here is the HD AV Server that Andy Nelkin showed earlier.

Of course it's plugged into the Power Line. This little blue box with the green lights is the laboratory prototype of our Panasonic HD Power Line Communications adapter. It will convert the HDTV output from this AV Server and send it through the power line... this power line. Over here is another HD-PLC adapter ready to be plugged in. The output of this adapter goes to that Plasma screen. Ok, let me power up this wall socket, and let's see if I can get the HDTV video to be carried over this powerline; so we can see it on this plasma TV. OK, I'll just plug it in and let's see if it works.

You see while the electricity goes through the wire instantly, the HD-PLC is taking a few seconds since it is actually analyzing the characteristics of the wiring in this particular environment... and preconditions the signal so that even this simple powerline can transport the incredibly high-speed data streams that are necessary for HD video.

What's really incredible about this new HD-PLC technology is that it operates at speeds up to 170Mb s. More than 10 times the speed of today's HomePlug technology. That's more than fast enough to carry multiple HDTV data streams around your entire home. Plus interactive game sessions, internet and lots of other content.

Let me show you that 1 more time. I unplug it and the image freezes because the HD signal is gone. Ok, I'll plug it back in again. It'll come back on in just a few seconds.

We've also built security technology into this system that will protect the legitimate rights of content owners. So that consumers can freely distribute commercial content throughout their home network. We've worked with our colleagues in the industry to adapt the content protection technology known as DTCP to data networks. Isn't technology wonderful?

By the way, our engineers are now working at shrinking the electronics in this prototype so that by this summer it will look like this. Smaller size and plugs into the wall. OK - now let me show you something else that will help drive Whole Life Connectivity to a whole new level.

Here's a remote control that not only communicates with all your electronic devices, but also controls the lights, the air conditioner and virtually every other appliance in the home. OK, let me replay that race.

What's really exciting about this new technology is that it receives additional streams of data to enhance what you are watching. For example, wouldn't it be great if we knew the results of each of these skaters in their last race. Right here in my hand, I just received the latest stats about these racers. How did it get here? Wireless transmission from this wireless access point. And, this wireless access point is part of my home network because it's simply plugged into the wall socket.

So, any information the content provider desires can be delivered wirelessly to my remote control. And now what's this? Ah, the latest 2004 Acura TL. That's quite a vehicle. And you should check out the sound system. The ELS Surround Sound 5.1 DVD-Audio system was designed for Acura by Panasonic and Elliot Scheiner. And look, my remote control is providing more information on this great new car.

All this delivered wirelessly right to the palm of my hand. - Great! Of course, the Acura people will appreciate the direct feedback they get about my interest in their product when I automatically send back to them via the Internet. And none of this personal interactive activity interrupts anyone else's enjoyment of the programming since it appears only here on my personal remote control.

So, with the combination of BOTH powerline and wireless content delivery, you're free to enjoy networked services anywhere around your house. This is the simplicity and the power of Lifestream. This is what Mr. Ohtsubo is talking about. This is where Panasonic is going and we look forward to seeing you there, too.

Ohtsubo-san?
The stage is yours.

Mr. Ohtsubo, President and CEO

LifeStream, our networking vision, will help people connect. And ensure that our products connect. But it can do something even bigger. It can help us connect one to another. Let's take a look.

Thank you very much. Domo arigato gozaimasu.
On behalf of everyone
once again thank you very much.