

**Matsushita Electric Industrial Co., Ltd.**  
**Consolidated Statement of Cash Flows \***  
**(Year ended March 31)**

	Yen (millions)		U.S. Dollars (millions)
	2006	2005	2006
<i><u>Cash flows from operating activities:</u></i>			
Net income	¥ 154,410	¥ 58,481	\$ 1,320
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	309,399	325,465	2,644
Net gain on sale of investments	(47,449)	(31,399)	(406)
Provision for doubtful receivables	8,409	4,963	72
Deferred income taxes	70,748	56,805	605
Write-down of investment securities	35,292	16,186	302
Impairment loss on long-lived assets	66,378	29,519	567
Minority interests	(987)	27,719	(8)
(Increase) decrease in trade receivables	(31,042)	61,207	(265)
(Increase) decrease in inventories	36,498	84,405	312
(Increase) decrease in other current assets	(57,990)	14,649	(496)
Increase (decrease) in trade payables	112,340	(74,276)	960
Increase (decrease) in accrued income taxes	3,872	(3,422)	33
Increase (decrease) in accrued expenses and other current liabilities	37,108	(10,736)	317
Increase (decrease) in retirement and severance benefits	(73,180)	(99,499)	(625)
Increase (decrease) in deposits and advances from customers	(13,304)	(13,873)	(114)
Other	(35,084)	18,368	(300)
Net cash provided by operating activities	<u>¥ 575,418</u>	<u>¥ 464,562</u>	<u>\$ 4,918</u>
<i><u>Cash flows from investing activities:</u></i>			
Proceeds from sale of short-term investments	41,867	6,117	358
Purchase of short-term investments	(54,967)	(9,001)	(470)
Proceeds from disposition of investments and advances	849,409	101,374	7,260
Increase in investments and advances	(385,865)	(133,636)	(3,298)
Capital expenditures	(356,751)	(352,203)	(3,049)
Proceeds from sale of fixed assets	168,631	78,131	1,441
(Increase) decrease in finance receivables	--	26,823	--
(Increase) decrease in time deposits	141,289	27,748	1,208
Inflows due to acquisition of additional shares of newly consolidated subsidiaries, net of cash paid	--	82,208	--
Proceeds from sale of shares of subsidiaries	63,083	--	539
Other	(59,605)	(5,857)	(510)
Net cash provided by (used in) investing activities	<u>¥ 407,091</u>	<u>¥ (178,296)</u>	<u>\$ 3,479</u>
<i><u>Cash flows from financing activities:</u></i>			
Increase (decrease) in short-term borrowings	15,037	(8,009)	128
Increase (decrease) in deposits and advances from employees	(104,835)	(125,261)	(896)
Proceeds from long-term debt	30,653	119,422	262
Repayments of long-term debt	(328,243)	(251,554)	(2,805)
Dividends paid	(39,105)	(35,251)	(334)
Dividends paid to minority interests	(16,281)	(14,765)	(139)
Repurchase of common stock	(87,150)	(92,879)	(745)
Sale of treasury stock	228	1,324	2
Other	5,128	1,395	44
Net cash used in financing activities	<u>¥ (524,568)</u>	<u>¥ (405,578)</u>	<u>\$ (4,483)</u>
Effect of exchange rate changes on cash and cash equivalents	39,699	14,054	339
Net increase (decrease) in cash and cash equivalents	497,640	(105,258)	4,253
Cash and cash equivalents at beginning of period	1,169,756	1,275,014	9,998
Cash and cash equivalents at end of period	<u>¥ 1,667,396</u>	<u>¥ 1,169,756</u>	<u>\$ 14,251</u>

\* See Notes to consolidated financial statements on pages 13-14.