

Matsushita Electric Industrial Co., Ltd.
Consolidated Statement of Cash Flows *
(Three months ended December 31)

	Yen (millions)		U.S. Dollars (millions)
	2006	2005	2006
<i><u>Cash flows from operating activities:</u></i>			
Net income	¥ 78,673	¥ 49,269	\$ 661
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	78,231	76,981	658
Net (gain) loss on sale of investments	(5,719)	(2,848)	(48)
Minority interests	8,852	7,071	74
(Increase) decrease in trade receivables	(33,191)	(48,682)	(279)
(Increase) decrease in inventories	(589)	40,298	(5)
Increase (decrease) in trade payables	(2,196)	(19,188)	(18)
Increase (decrease) in retirement and severance benefits	(21,663)	(19,193)	(182)
Other	27,159	70,622	228
Net cash provided by operating activities	<u>¥ 129,557</u>	<u>¥ 154,330</u>	<u>\$ 1,089</u>
<i><u>Cash flows from investing activities:</u></i>			
(Increase) decrease in short-term investments	--	(27,977)	--
Proceeds from disposition of investments and advances	27,623	10,467	232
Increase in investments and advances	(55,422)	(60,039)	(466)
Capital expenditures	(113,520)	(94,031)	(954)
Proceeds from sale of fixed assets	32,320	55,368	272
(Increase) decrease in time deposits	(64,920)	(7,350)	(545)
Other	(6,733)	(11,924)	(57)
Net cash used in investing activities	<u>¥ (180,652)</u>	<u>¥ (135,486)</u>	<u>\$ (1,518)</u>
<i><u>Cash flows from financing activities:</u></i>			
Increase (decrease) in short-term borrowings	(14,822)	19,793	(125)
Increase (decrease) in deposits and advances from employees	(117)	3,556	(1)
Increase (decrease) in long-term debt	(9,550)	(69,976)	(80)
Dividends paid	(32,894)	(22,168)	(276)
Dividends paid to minority interests	(4,507)	(4,081)	(38)
(Increase) decrease in treasury stock	(50,845)	(14,055)	(427)
Other	--	400	--
Net cash used in financing activities	<u>¥ (112,735)</u>	<u>¥ (86,531)</u>	<u>\$ (947)</u>
Effect of exchange rate changes on cash and cash equivalents	22,005	25,482	185
Net increase (decrease) in cash and cash equivalents	(141,825)	(42,205)	(1,191)
Cash and cash equivalents at beginning of period	1,407,706	1,455,714	11,829
Cash and cash equivalents at end of period	<u>¥ 1,265,881</u>	<u>¥ 1,413,509</u>	<u>\$ 10,638</u>

* See Notes to consolidated financial statements on pages 15-16.