

Matsushita Electric Industrial Co., Ltd.
Consolidated Statement of Cash Flows *
(Three months ended June 30)

	Yen (millions)		U.S. Dollars (millions)
	<u>2007</u>	<u>2006</u>	<u>2007</u>
<u>Cash flows from operating activities:</u>			
Net income	¥ 39,314	¥ 35,830	\$ 320
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	73,986	72,653	602
Net (gain) loss on sale of investments	(608)	1,206	(5)
Minority interests	(1,788)	539	(15)
(Increase) decrease in trade receivables	2,442	43,202	20
(Increase) decrease in inventories	(131,079)	(95,146)	(1,066)
Increase (decrease) in trade payables	16,301	(22,369)	132
Increase (decrease) in retirement and severance benefits	(25,208)	(31,296)	(205)
Other	90,964	103,324	740
Net cash provided by operating activities	<u>¥ 64,324</u>	<u>¥ 107,943</u>	<u>\$ 523</u>
<u>Cash flows from investing activities:</u>			
(Increase) decrease in short-term investments	--	28,502	--
Proceeds from disposition of investments and advances	55,952	8,904	455
Increase in investments and advances	(82,293)	(88,404)	(669)
Capital expenditures	(95,051)	(91,673)	(773)
Proceeds from sale of fixed assets	10,775	27,639	88
(Increase) decrease in time deposits	141,534	(130,004)	1,151
Other	(12,976)	(1,922)	(106)
Net cash provided by (used in) investing activities	<u>¥ 17,941</u>	<u>¥ (246,958)</u>	<u>\$ 146</u>
<u>Cash flows from financing activities:</u>			
Increase (decrease) in short-term borrowings	(25,749)	5,832	(209)
Increase (decrease) in deposits and advances from employees	(40)	(5,211)	(0)
Increase (decrease) in long-term debt	(9,422)	(13,332)	(77)
Dividends paid	(32,194)	(22,095)	(262)
Dividends paid to minority interests	(8,594)	(7,850)	(70)
(Increase) decrease in treasury stock	(41,037)	(40,646)	(334)
Other	5,000	--	41
Net cash used in financing activities	<u>¥ (112,036)</u>	<u>¥ (83,302)</u>	<u>\$ (911)</u>
Effect of exchange rate changes on cash and cash equivalents	49,919	(3,455)	406
Net increase (decrease) in cash and cash equivalents	20,148	(225,772)	164
Cash and cash equivalents at beginning of period	<u>1,236,639</u>	<u>1,667,396</u>	<u>10,054</u>
Cash and cash equivalents at end of period	<u>¥ 1,256,787</u>	<u>¥ 1,441,624</u>	<u>\$ 10,218</u>

* See Notes to consolidated financial statements on pages 12-13.