

**Matsushita Electric Industrial Co., Ltd.**  
**Consolidated Statement of Cash Flows \***  
**(Six months ended September 30)**

	Yen (millions)		U.S. Dollars (millions)
	2006	2005	2006
<i>Cash flows from operating activities:</i>			
Net income	¥ 115,123	¥ 64,407	\$ 976
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	152,148	150,524	1,289
Net (gain) loss on sale of investments	(31,119)	(19,054)	(264)
Minority interests	17,932	(6,596)	152
(Increase) decrease in trade receivables	30,129	(6,265)	256
(Increase) decrease in inventories	(105,153)	(94,925)	(891)
Increase (decrease) in trade payables	(19,314)	76,916	(164)
Increase (decrease) in retirement and severance benefits	(59,093)	(35,187)	(501)
Other	96,998	60,392	822
Net cash provided by operating activities	<u>¥ 197,651</u>	<u>¥ 190,212</u>	<u>\$ 1,675</u>
<i>Cash flows from investing activities:</i>			
(Increase) decrease in short-term investments	26,540	7,341	225
Proceeds from disposition of investments and advances	56,817	373,936	481
Increase in investments and advances	(167,023)	(126,019)	(1,415)
Capital expenditures	(206,903)	(196,472)	(1,753)
Proceeds from sale of fixed assets	100,290	90,381	850
(Increase) decrease in time deposits	(170,117)	81,826	(1,442)
Proceeds from sale of shares of subsidiaries	40,548	62,948	344
Other	(23,219)	(19,560)	(197)
Net cash provided by (used in) investing activities	<u>¥ (343,067)</u>	<u>¥ 274,381</u>	<u>\$ (2,907)</u>
<i>Cash flows from financing activities:</i>			
Increase (decrease) in short-term borrowings	(10,977)	27,321	(93)
Increase (decrease) in deposits and advances from employees	(13,507)	(3,480)	(114)
Increase (decrease) in long-term debt	(30,401)	(117,545)	(258)
Dividends paid	(22,095)	(16,938)	(187)
Dividends paid to minority interests	(9,412)	(9,638)	(80)
(Increase) decrease in treasury stock	(41,405)	(72,126)	(351)
Other	--	4,725	--
Net cash used in financing activities	<u>¥ (127,797)</u>	<u>¥ (187,681)</u>	<u>\$ (1,083)</u>
Effect of exchange rate changes on cash and cash equivalents	13,523	9,046	115
Net increase (decrease) in cash and cash equivalents	(259,690)	285,958	(2,200)
Cash and cash equivalents at beginning of period	1,667,396	1,169,756	14,130
Cash and cash equivalents at end of period	<u>¥ 1,407,706</u>	<u>¥ 1,455,714</u>	<u>\$ 11,930</u>

\* See Notes to consolidated financial statements on pages 16-17.