

FINANCIAL SECTION Consolidated Statements of Cash Flows

Years ended March 31	2002	2003	Yen (millions) 2004	U.S. Dollars (thousands) (Note 3) 2004
Cash flows from operating activities (A):				
Income (loss) before income taxes and minority interests _____	¥(594,733)	¥ (147,606)	¥ 157,018	\$ 1,481,302
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization _____	417,867	325,618	261,805	2,469,858
Goodwill amortization _____	21,090	17,667	31,144	293,811
Accrual (payments) for retirement benefits _____	12,638	8,936	22,923	216,255
Provision for loss on repurchase of computers _____	30,594	26,063	33,329	314,425
Reversal of provision for loss on repurchase of computers _____	(35,279)	(35,191)	(40,161)	(378,877)
Interest charges _____	43,126	29,913	23,331	220,104
Interest and dividend income _____	(10,480)	(8,495)	(6,668)	(62,906)
Equity in earnings of affiliates, net _____	(2,676)	(570)	862	8,132
Disposal of non-current assets _____	177,152	53,855	30,714	289,755
Gain on transfer of substitutional portion of employees' pension funds _____	—	—	(146,532)	(1,382,377)
Gain on sales of marketable securities _____	—	(29,362)	(134,624)	(1,270,038)
(Increase) decrease in receivables, trade _____	294,617	63,246	(101,803)	(960,406)
(Increase) decrease in inventories _____	272,898	39,538	42,637	402,236
(Increase) decrease in other current assets _____	47,232	(33,062)	6,628	62,528
Increase (decrease) in payables, trade _____	(210,938)	(60,500)	158,327	1,493,651
Increase (decrease) in other current liabilities _____	40,215	(60,800)	13,608	128,377
Other, net _____	(49,101)	(16,249)	3,865	36,462
Cash generated from operations _____	454,222	173,001	356,403	3,362,292
Interest paid _____	(45,458)	(30,920)	(24,142)	(227,754)
Interest received _____	6,877	6,422	2,763	26,066
Dividends received _____	6,686	8,282	6,358	59,981
Income taxes paid _____	(115,756)	(38,988)	(37,337)	(352,236)
Net cash provided by (used in) operating activities _____	306,571	117,797	304,045	2,868,349
Cash flows from investing activities (B):				
Purchases of property, plant and equipment _____	(347,841)	(163,503)	(141,596)	(1,335,811)
Proceeds from sales of property, plant and equipment _____	15,184	91,779	47,841	451,330
Purchases of intangible assets _____	(71,375)	(66,524)	(59,423)	(560,594)
Purchases of investment securities _____	(26,220)	(34,279)	(47,205)	(445,330)
Proceeds from sales of investment securities _____	7,538	98,303	269,110	2,538,773
Other, net _____	13,251	9,809	(1,338)	(12,623)
Net cash provided by (used in) investing activities _____	(409,463)	(64,415)	67,389	635,745
A+B (*) _____	(102,892)	53,382	371,434	3,504,094

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

(*) This is referred to as "free cash flow" in Management's Discussion and Analysis of Operations.

Years ended March 31	2002	2003	Yen (millions)	U.S. Dollars (thousands) (Note 3)
			2004	2004
Cash flows from financing activities:				
Proceeds from long-term debt	448,947	358,615	57,150	539,151
Repayment of long-term debt	(296,718)	(222,779)	(197,876)	(1,866,755)
Increase (decrease) in short-term borrowings	(36,191)	(105,167)	(76,741)	(723,971)
Increase (decrease) in minority interests	17,032	(2,702)	10,700	100,943
Dividends paid	(14,842)	(5,005)	—	—
Other, net	(26,916)	(90,199)	(33,135)	(312,594)
Net cash provided by (used in) financing activities	91,312	(67,237)	(239,902)	(2,263,226)
Effect of exchange rate changes on cash and cash equivalents				
	1,014	(3,230)	(3,199)	(30,179)
Net increase (decrease) in cash and cash equivalents	(10,566)	(17,085)	128,333	1,210,689
Cash and cash equivalents at beginning of year	309,984	299,418	282,333	2,663,519
Cash and cash equivalents of newly consolidated subsidiaries				
	—	—	3,160	29,811
Cash and cash equivalents at end of year	¥ 299,418	¥ 282,333	¥ 413,826	\$ 3,904,019
Noncash investing and financing activities:				
Acquisition of assets under finance leases	¥ 24,238	¥ 32,696	¥ 32,084	\$ 302,679
Contribution of assets to an affiliated company	—	—	63,949	603,292
Conversion of bonds into common stock and capital surplus	19,414	—	—	—