

Consolidated Statements of Cash Flows

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
Years Ended May 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 8,941	¥ 7,643	\$ 81,222
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	7,144	7,011	64,898
Increase (decrease) in reserves	890	(275)	8,085
Interest and dividend income	(312)	(222)	(2,834)
Interest expense	402	466	3,651
Equity in earnings of affiliates	(278)	(210)	(2,525)
Loss on disposal of property, plant and equipment, net	866	606	7,867
Loss (gain) on sales of investment securities, net	33	(70)	299
Loss on revaluation of investment securities	-	719	-
Changes in operating assets and liabilities:			
Notes and accounts receivable - trade	(3,079)	(2,374)	(27,970)
Inventories	(261)	(1,932)	(2,371)
Notes and accounts payable - trade	(3,604)	4,647	(32,739)
Payables - other	(678)	(923)	(6,159)
Other	241	(703)	2,189
Subtotal	10,303	14,382	93,595
Interest and dividends received	463	343	4,206
Interest paid	(408)	(409)	(3,706)
Income taxes paid	(5,714)	(2,092)	(51,907)
Net cash provided by operating activities	4,644	12,224	42,187
Cash flows from investing activities			
Proceeds from maturity of time deposits, net	1,161	(893)	10,546
Proceeds from sales of marketable securities, net	(2)	2,501	(18)
Purchase of property, plant and equipment	(5,611)	(6,508)	(50,972)
Proceeds from sales of property, plant and equipment	195	48	1,771
Acquisition of goodwill and other intangible assets	(2,400)	(1,099)	(21,802)
Proceeds from sales (purchase) of investment securities, net	658	(121)	5,977
Purchase of investment securities of consolidated subsidiaries	(1,600)	-	(14,534)
Purchase of investments in subsidiaries resulting in change of consolidation scope	(2,762)	-	(25,090)
Other	(998)	(624)	(9,066)
Net cash used in investing activities	(11,360)	(6,696)	(103,197)
Cash flows from financing activities			
Net change in short-term debt	(170)	530	(1,544)
Proceeds from long-term debt	6,071	745	55,150
Repayment of long-term debt	(2,123)	(1,832)	(19,285)
Repayment of construction cooperation fund	(3,000)	-	(27,252)
Redemption of corporate bond	-	(3,000)	-
Cash dividends paid	(2,005)	(2,006)	(18,214)
Other	(217)	(244)	(1,971)
Net cash used in financing activities	(1,445)	(5,807)	(13,126)
Effect of exchange rate changes on cash and cash equivalents	(66)	(31)	(599)
Decrease in cash and cash equivalents	(8,228)	(311)	(74,745)
Cash and cash equivalents at beginning of year	25,631	25,942	232,839
Cash and cash equivalents at end of year	¥17,402	¥25,631	\$158,085

See accompanying notes to consolidated financial statements.