

Consolidated Statements of Cash Flows

Kyorin Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Operating activities			
Income before income taxes	¥ 4,012	¥ 9,474	\$ 37,359
Depreciation and amortization	3,894	4,774	36,260
Increase in allowance for doubtful accounts	3	1	28
Decrease in accrued bonuses to employees	(317)	(207)	(2,952)
Increase in reserve for sales returns	8	11	74
Provision for retirement benefits, net of payments	(10,380)	(3,640)	(96,657)
(Decrease) increase in accrued retirement benefits for directors and corporate auditors	(29)	4	(270)
Equity in earnings of affiliates	(371)	(259)	(3,455)
Interest and dividend income	(165)	(129)	(1,536)
Interest expense	7	11	65
Exchange (gain) loss	(3)	229	(28)
Loss on sales and disposal of property, plant and equipment	1,366	1,758	12,720
Gain on sales of investment securities	(1,787)	(893)	(16,640)
Loss on devaluation of investment securities	291	—	2,710
Additional benefits for employees' early retirement	430	1,071	4,004
Loss on amortization of investment securities	323	—	3,008
(Increase) decrease in notes and accounts receivable	(1,980)	961	(18,437)
(Increase) decrease in inventories	(744)	1,400	(6,928)
Increase in notes and accounts payable	208	615	1,937
Increase in other current assets	(153)	(359)	(1,425)
Decrease in other current liabilities	(1,853)	(397)	(17,255)
Increase in other long-term liabilities	2,574	10	23,969
Increase (decrease) in consumption taxes payable	70	(541)	652
Payment of directors' and corporate auditors' bonus	(41)	(49)	(382)
Other	2	—	19
Subtotal	(4,637)	13,844	(43,179)
Interest and dividend received	160	252	1,490
Interest paid	(10)	(12)	(93)
Special retirement benefits paid	(1,269)	(108)	(11,817)
Income taxes paid	(1,590)	(5,420)	(14,806)
Net cash (used in) provided by operating activities	(7,346)	8,556	(68,405)
Investing activities			
Payments for time deposits	—	(1,500)	—
Proceeds from cancellation of time deposits	—	1,500	—
Proceeds from sales of marketable securities	1,701	3,709	15,839
Payments for purchase of marketable securities	—	(2,919)	—
Proceeds from sales of mortgage securities	2,000	2,000	18,624
Payments for purchase of mortgage securities	—	(2,000)	—
Payments for purchase of property, plant and equipment	(5,767)	(4,712)	(53,701)
Proceeds from sales of property, plant and equipment	417	41	3,883
Payments for purchase of intangible assets	(2,395)	(877)	(22,302)
Payments for purchase of investment securities	(23,352)	(1,358)	(217,450)
Proceeds from sales of investment securities	5,754	2,045	53,580
Proceeds from acquisition of securities in subsidiary due to the change of consolidation scope	134	—	1,248
Payments for loans made	(285)	(463)	(2,654)
Proceeds from collection of loans receivable	294	525	2,738
Payments for investments	(60)	(105)	(559)
Increase in other assets	37	(117)	345
Net cash used in investing activities	(21,521)	(4,232)	(200,400)
Financing activities			
Purchase of treasury stock	(104)	(19,951)	(968)
Cash dividends	(1,412)	(1,549)	(13,148)
Net cash used in financing activities	(1,516)	(21,501)	(14,117)
Effects of exchange rate changes on cash and cash equivalents	4	(196)	37
Decrease in cash and cash equivalents	(30,380)	(17,373)	(282,894)
Cash and cash equivalents at beginning of year	41,741	59,115	388,686
Cash and cash equivalents at end of year (Note 4)	¥ 11,361	¥ 41,741	\$ 105,792

See accompanying notes to consolidated financial statements.